

AUGUST 1977

Nation's Business

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STUART EIZENSTAT: An Inside Look at How the White House Operates



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Nation's Business

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So we're running advertising like this. Hopefully,

it will inform the public and encourage them to take a long hard look at what is happening and then take action.

And if that happens, insurance rates might just stabilize. That would be a nice change.

You can help. Get one of our Enough is Enough booklets from your local Independent Agent or broker representing The St. Paul.

It's full of information on the causes, the pro's and the con's of some possible cures for high insurance rates.

At The St. Paul we feel Enough is Enough.

How do you feel?

"Sue thy Neighbor" is fast becoming one of America's favorite pastimes. But who really foots the bill on the "big pot" some lucky claimant wins? We *all* do.

Insurance is basically a system for sharing risk among many.

All of us chip in so there'll be money available when somebody gets hit with a loss. Rates are based on expected claims.

Most claims have a reasonable basis and are settled fairly. But many people feel that an increasing number of jury awards are excessive. When awards are out of line, everyone pays more. In the form of higher insurance rates.

Frankly, unless something is done, this could go on forever. As long as you're willing to pay these higher costs, insurance companies can pay out bigger and bigger awards.

But we at The St. Paul feel the trend toward excessive jury awards has pushed insurance premiums to levels that are too high.

What can you do if you've had enough?

Send for our "Enough is Enough" consumer booklet. It's full of informa-

tion on the causes and the pro's and con's of some possible cures for high insurance rates. You'll find out how to register your views where they'll count. Along with some tips on how you can hold down your own insurance costs.

Then get involved. Support the action you want taken.

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A LOOK AHEAD FROM WASHINGTON

A New Weapon to Fight Computer System Crimes

Federal law enforcement officials will have a lot more clout in handling computer-related crimes if new legislation is passed.

There now are 40 federal statutes that can be used in these cases, but they were written primarily to curb other types of offenses. To solve the unique law enforcement problems caused by computer technology, Sen. Abraham Ribicoff (D.-Conn.) and eight colleagues have introduced S. 1766, the Federal Computer Systems Protection Act of 1977.

This legislation would make virtually any unauthorized use of the federal government's 10,000 computers and of all computers employed in interstate commerce a federal offense punishable by a prison term of up to 15 years, a \$50,000 fine, or both. The bill would make prosecution easier in cases of introduction of fraudulent records into computer systems; unauthorized use of computer-related facilities; alteration or destruction of computer information or files; or theft, through a computer system, of money, financial instruments, property, services, or valuable data.

The bill specifically covers computer crimes against banks and other financial institutions which are insured or regulated by the federal government, and it applies to the growing number of electronic fund transfer systems throughout the nation.

Lower Pension-Cost Estimate to Cut Government Contracts

A Carter administration assessment of how heavily to weigh the cost of civil service pensions in government work is expected to have a significant effect on the number of federal projects farmed out to private contractors.

For many years government procurement specialists added only seven percent for pensions to their personnel-cost estimates in deciding whether to keep in-house such work as providing janitorial service or running a military mess hall. Business people hoping to get contracts for the work complained loudly about this ignoring of pension-cost reality.

Business contended that seven percent was ridiculously low and that a 56 percent figure calculated by the Board of Actuaries for the Civil Service Retirement System was more realistic.

Finally, the Ford administration's Office of Management and Budget agreed last fall that seven per-

cent was indeed too low and raised the cost factor to 24.7 percent. Public employee unions were furious. But in June the Carter administration's OMB dealt business a stunning reverse and rolled the figure back to 14.1 percent [see "An Inside Look at How the White House Operates," page 36].

Pension Protection Law Kills Off More Pensions

ERISA—the Employee Retirement Income Security Act—is supposed to nurture and protect private pensions, but it continues to have a somewhat different effect than Congress intended when the law was passed in 1974.

Last year about 7,300 pension plans covered by termination insurance with the federal Pension Benefit Guaranty Corp. under ERISA were abolished. This was a staggering 84 percent increase over 1975, a year which ERISA proponents had hoped would see the peak number of terminations caused by the law's stringent provisions. In the first two years after the bill went into effect, more than ten percent of all the plans insured by the PBGC were terminated.

Most terminations were for a variety of business reasons, such as declining profits, a change in ownership, or a company going out of existence.

However, ERISA was given as the sole reason for 20 percent of the terminations in 1976, compared to 11 percent in 1975. And the law was given as one of several reasons for 15 percent of the terminations last year, up from ten percent in 1975.

What to Do About Energy

Private businesses and business organizations are intensifying their efforts to inform the public about the energy situation and business recommendations for solutions.

The Chamber of Commerce of the United States, for example, has produced a comprehensive citizen legislative action packet for the individual man or woman in business who wants to get involved.

"Energy Is Your Business," as it is called, consists of more than 550 color slides, with scripts. The packet explains in easily understandable terms the full and hard facts about energy. To obtain packets, which sell for \$200, write to: Director of Promotion, Chamber of Commerce of the United States, 1615 H Street N. W., Washington, D. C. 20062. Or call (202) 659-6183.

Promise of Better Days for Small Business Investment

A sweeping bill designed to spur investment in small and medium-sized businesses has been introduced in the Senate.

Sens. Gaylord Nelson (D.-Wis.), Thomas J. McIntyre (D.-N. H.), and Lowell P. Weicker, Jr. (R.-Conn.) are sponsors of S. 1815, the Small Business Venture Capital Act of 1977. Sen. Nelson is chairman of the Senate Small Business Committee.

Among other things, the comprehensive bill would—through tax changes—permit smaller firms to retain more of their earnings to plow back into modernization and growth.

The bill also would amend the Internal Revenue Code and securities laws to encourage individuals and institutional investors to put more of their dollars into venture financing for growing firms. And it would amend the Employee Retirement Income Security Act of 1974 to allow pension fund managers greater flexibility in investing funds in small and medium-sized businesses.

Another section of the bill would allow owners of such firms to sell their businesses to children or employees with the same tax benefits that owners now get when merging with larger firms in exchange for stock.

Regulatory Reform Measure Awaits Action in House

Regulatory reform is very much alive in the Senate, which has passed an Interim Regulatory Reform Act of 1977. The measure is now pending in the House. A similar measure got Senate approval last year, but the House failed to act.

The new bill, S. 263, calls for self-reviews by the Interstate Commerce Commission, Federal Trade Commission, Federal Power Commission, Civil Aeronautics Board, Federal Communications Commission, Federal Maritime Commission, and Consumer Product Safety Commission.

These independent agencies would review all laws that now affect their operations, plus court decisions and executive orders, and report back to Congress by October, 1980, with recommendations for any reforms they feel are needed.

Government Labels Planned for Some Consumer Products

Certain consumer products soon can be expected to carry a label bearing a special Commerce Department emblem showing that the products have been performance-tested under federal specifications.

The label will not be a federal seal of approval, but it will tell the consumer what is expected from the product in such areas as load capacity, energy usage,

or noise level. The reasoning goes that the label will help the consumer compare before buying.

Specifications will be set only for types of products which the Commerce Secretary feels need performance labeling. At the outset, specifications will be set for no more than three types of products. The program is being given a one-year test.

The labeling will be done on a voluntary basis, with participation open to manufacturers, assemblers, private-brand labelers, and importers.

To get a product into the program, a business must have it tested under methods approved by the National Bureau of Standards. The federal government, which will not do any testing, will charge a fee for use of the emblem. Selection of the products will be based on interest shown by requests to the Commerce Department's Office of Product Standards.

Aid for Workers Over 65

Older workers are getting more attention these days in Congress. Moving forward in the House is H. R. 5383, the Age Discrimination in Employment Act Amendment of 1977, which would bar job discrimination against those between the ages of 40 and 70 and ban mandatory retirement at any age for federal workers and for other workers before 70.

Currently the Age Discrimination in Employment Act of 1967 bars discrimination against persons between 40 and 65 and does not address the mandatory retirement issue.

Business groups, while not condoning age bias, oppose the House bill and similar Senate bills for several reasons, including the effect on pension systems and on the hiring of younger workers.

ICC Is Demanding More Data From Carriers

The Interstate Commerce Commission has decreed tough new annual disclosure requirements for all regulated carriers which have revenues of more than \$20 million a year.

Chairman Dan O'Neal says the information will help the agency identify situations it considers not beneficial to the public, such as conflicts of interest and misuses of insider information.

The new rules force railroads, truckers, and other nonaerial interstate carriers to divulge such information as who controls the firm, the basis of control, balance sheet and income statements, occupations and affiliations of principal officers and directors, and the identities of those who hold the carrier's debts.

In addition, Chairman O'Neal has directed his agency staff to undertake a study to obtain the names of persons holding significant amounts of voting stocks of the largest railroads. Shelved, at least for now, is a proposal to require all regulated carriers to disclose the names of major stockholders. □

Bureaucratic Overkill on Christmas Lights

Bureaucratic excesses like those James J. Kilpatrick wrote about in his column, "A Case of Overkill in Federal Regulation" [June], are occurring again.

The Consumer Product Safety Commission has accepted an offer by the National Consumers League to develop safety standards for miniature lights for Christmas trees.

Earlier the commission rejected standards proposed by the National Ornament Electric Lights Christmas Association, Inc. The association, which adopted voluntary standards two years ago, developed a new set of standards to meet Consumer Product Safety Commission objectives.

Thus, the commission plans to spend \$1 million or \$2 million to do something badly that has already

been done well and offered to the commission at no charge.

The whole activity seems to parallel the power-mower case that Mr. Kilpatrick discussed. Bureaucratic "administrivia" undoubtedly will prevail again.

DANIEL CHAUER
Professional Engineer
Rego Park, N. Y.

Mr. Kilpatrick shows once again the depth of absurdity into which our elected officials have sunk while attempting to justify their existence and perpetuate their pay from the public till.

If the press would adopt a policy of listing the name and address of at least one public official associated with the issue covered in such articles, readers would be able to submit their views directly to the decision-

makers. Much then could and would be corrected.

As things now stand, people are angered by reports such as Mr. Kilpatrick's on what the bureaucrats are mandating for the manufacture of power mowers but feel there is nothing they can do to change things.

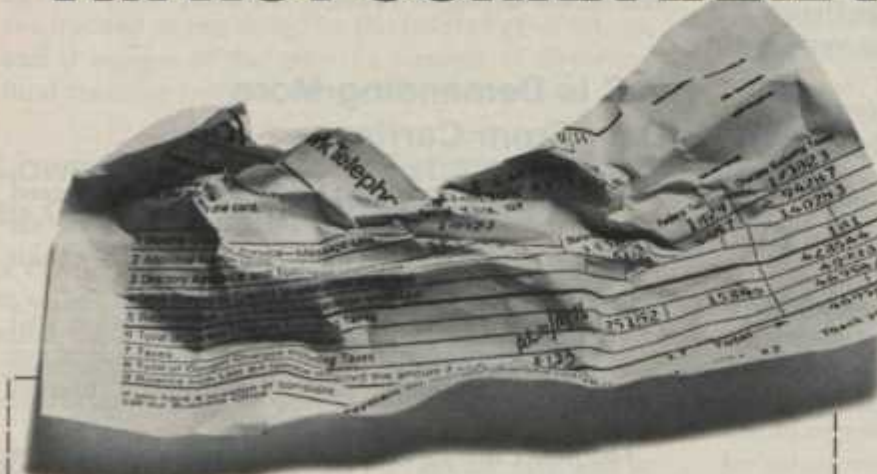
For example, I'll probably just have to live with the more expensive and less desirable power mowers because I don't know to whom I should write to protest the proposed new standards.

CHARLES F. HAMILTON
Senior Process Engineer
Texas Gas Exploration Corp.
Houston, Texas

Insurance company losses

Your article, "Product Liability—The Search for Solutions" [June], erroneously cites the Insurance In-

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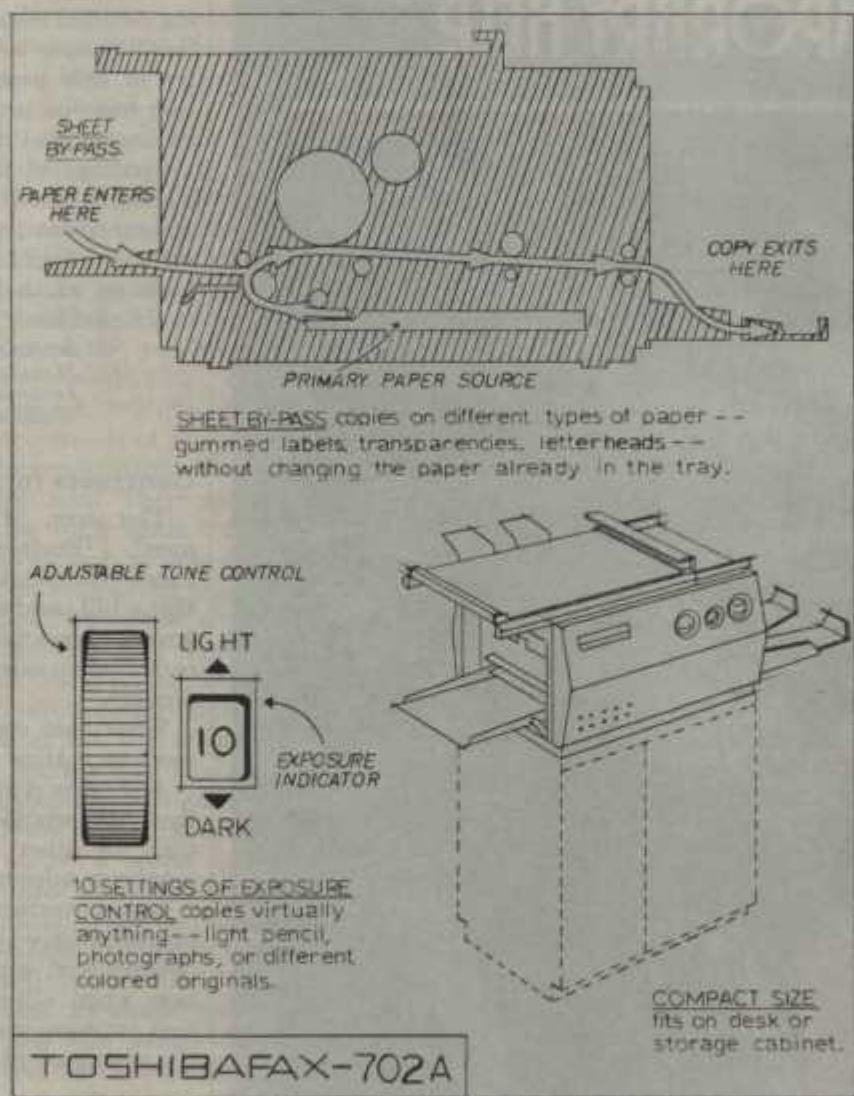
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formation Institute as the source for the statement that "insurance companies have lost almost \$9 billion on product liability claims in three years."

Actually, the \$9 billion underwriting loss for 1974, 1975, and 1976 was for all types of property-liability insurance, not just product liability.

The insurance industry is conducting detailed research into the product liability issue to determine the severity of this problem. A government task force on product liability is preparing its final report.

Findings of those studies will be available later this year. At that time insurance company officials and businessmen should have a better factual basis on which to consider solutions to the problem.

RONALD W. VINSON
*Manager, Washington Relations
Insurance Information Institute
Washington, D. C.*

Contracts for salesmen

The item, "Protection for Salesmen" ["Business: A Look Ahead From Washington," June], reports that a bill pending in Congress would govern financial relations between commission salesmen and their employers.

What this country needs least is more regulation of business.

Any sales representative worthy of that title would surely have a contract or other agreement detailing employer-salesman relationships.

Our agreements with members of our sales force spell out working procedures and provide for compensation when either party decides its best interests are no longer served by the arrangement.

ERNEST H. JAMES
*President
James Supply Co., Inc.
Quincy, Ill.*

Preserving estates

W. Liddon McPeters did an outstanding job in his article, "Estate Planning for Business Owners" [June]. He succinctly identified the problems and asked the business owner to take a hard, cold look at the facts.

With government apparently on the attack against the accumulation of personal wealth, it is almost idiotic for a business owner not to take heed of the concepts Mr. McPeters presents.

RONALD DAVIS BALSER
*Balsers, McCamish and Co.
Atlanta, Ga.*

Clues to the Supreme Court's Future Rulings

THE SUPREME COURT'S 1976-77 term provided new support for an old observation—that while ours is of course a government of laws, it is also, and just as significantly, a government of men.

Throughout the term, the court was composed of the same nine human beings, ranging in age from Justice Rehnquist at 52 to Justice Brennan at 71. Taken as a group, they make up a relatively stable, solid, unexciting bunch. There is not much activism in them. They are seldom given to impassioned rhetoric. And because they are the kind of men they are, they produced about the kind of law you would expect—stable, reasoned, and fairly predictable. The term saw no great landmarks erected, nothing to rank with *Brown* or *Miranda* in the annals of jurisprudence. No lightning bolts of wild innovation split the judicial sky.

Yet this was not a dull term. There were a few dull cases, to be sure, but the court deals constantly with the raw stuff of humanity—with murder and rape and robbery, with litigants as high as an exiled President and as obscure as a union carpenter named Richard Hill. Schoolteachers, bowling alley operators, apple growers, prison inmates, illegitimate children, airline stewardesses, dealers in dirty books—out of these human threads the fabric of the law is woven. Behind the surface calm of the court is the brooding awareness of the tensions and controversies that affect adversaries pleading their causes. There is nothing dull about it.

Inevitably, because we are a people much given to file-card classifications and party labels, we tend to think of judges and judicial trends as conservative or liberal. I raise no objection to the practice. The descriptions, if not perfectly understood, are generally understood. This past term, by almost every appraisal, saw the conservative tide still gently flowing in. A majority of the court could be mustered, most of the time, behind old principles of federalism, comity, strict construction, judicial restraint, and a decent respect for prior decisions.

CHIEF JUSTICE Burger and Justice Rehnquist remain, by general definition, the most conservative members of the court. Justice Burger is a stickler for judicial protocol, for strict obedience to procedural rules, for keeping a tight rein on the law. Justice Rehnquist consistently defends the power of the states to run their own affairs. Of 127 cases in which both participated, they agreed on all but 14. Justice Rehnquist, incidentally, is growing nicely on the job. In this term, his sixth year on the court, he wrote 15 majority opinions and 15 dissenting opinions. He has learned to write with a sharp and lucid pen, and he exhibits about the only flashes of humor that are to be seen in the ex-

ceptionally sober pages of the Burger Court decisions.

On the other side of the spectrum, Justices Brennan and Marshall continue to function as liberal counterweights. This was Justice Brennan's 21st year on the court, Justice Marshall's tenth. They remain a pair of lonesome rangers. They sat together on 132 cases and disagreed but ten times. Justice Brennan racked up 50 dissents, Justice Marshall, 48. It was a poor term for Justice Marshall. He drew none of the notable cases, and a couple of his strong dissents lost in reason what they gained in emotion. Justice Brennan, by contrast, spoke for the court in two important seven-to-two decisions, one of them dealing with New York's law on the sale of contraceptives, the other denying Richard Nixon's claim to his presidential papers.

OCcupying the court's middle band, more or less from right to left, are Justices Blackmun, Powell, Stewart, White, and Stevens. Here, too, as in the case of Justice Rehnquist, the human development is of interest. When Justice Blackmun came on the court in 1970, he was identified immediately as Justice Burger's shadow; the two were commonly known as the Minnesota Twins. Now Justice Blackmun is asserting his independence. Justices Burger and Blackmun went separate ways on at least 16 cases, and a couple of times they butted heads with a solid thump. In a Texas case involving discrimination on a grand jury, Justice Burger snapped that Justice Blackmun's majority opinion "simply will not wash." In a Boston narcotics case, when Justice Burger surprisingly took a liberal view on the necessity for a search warrant, Justice Blackmun had the last word: "It is decisions of the kind made by the court today that make criminal law a trap for the unwary policeman and detract from the important activities of detecting criminal activity and promoting the public safety."

Justice Powell, at 69, continues to emerge as the best scholar and keenest intellect on the court. The Virginian wrote 15 opinions for the court. He managed to catch some of the hot ones. In the Arlington Heights case, he carefully developed the growing body of law which teaches that an intention to discriminate must be shown in many racial cases. In the Miami pupil-paddling case, he drew the wrath of the liberal community for his reasoned conclusion that the Eighth Amendment does not apply to disciplinary procedures in the public schools. Justice Powell also wrote the two main decisions on abortion, a couple of tough double jeopardy opinions, and the majority opinion in the Sylvania antitrust case. He dissented only 14 times in the whole term.

A third justice who is gaining respect is John Paul

Stevens, of Chicago, who came on the court a year and a half ago. He seems generally to be trending toward the liberal side, but in the past term he split from Justices Brennan and Marshall in some key cases. He went his lonesome way, dissenting in solitary splendor on half a dozen issues. Justice Stevens wrote only 13 opinions for the court—only Justice Marshall, with 12, wrote fewer—and with the exception of his opinion in a case upholding a New York narcotics law, none of these was particularly notable. But Justice Stevens writes with a beautiful sense of where he intends to come out, and he has a nice way of insulting his colleagues without really saying anything rude.

ALL THINGS CONSIDERED, it was a fairly amiable term of court. Counting the per curiam (unsigned) opinions, roughly 168 cases were formally disposed of. This may have been a record—the clerk's office no longer keeps a box score. Forty opinions drew no dissents at all, and only 25 cases split five to four. Some acrimonious shots were exchanged in the abortion decisions. In a case involving prisoners' rights, Justice Marshall hotly accused his brothers of taking "a giant step backwards." In another case, having to do with voting rights in South Carolina, Justice Marshall bitterly complained that the majority had put aside "both common sense and legal analysis, relying instead on fiat." Generally speaking, it was a far cry from the old days, when Hugo Black, Felix Frankfurter, and William O. Douglas fell upon their erring colleagues with Bowie knives and shillelaghs.

Business fared well, on the whole. Three antitrust cases had some significance. On Jan. 25, a unanimous court ended ten years of litigation brought against the Brunswick Corp. by a company that owns bowling centers in Pueblo, Colo.; Poughkeepsie, N. Y.; and Paramus, N. J. The court held that Brunswick had not violated antitrust law by acquiring and continuing to operate bowling alleys whose demise would have meant more business for the plaintiff. On June 9, by a six-to-three vote in the Illinois Brick Co. case, the court severely restricted the device of private treble-damage suits as an instrument of antitrust enforcement. On June 23 the court refused to punish GTE Sylvania, Inc., for enforcing certain restrictions on the location of retail outlets of its franchise holders.

In other cases affecting the business community, the court held that General Electric was not compelled to provide maternity-related benefits for women employees under its health plan; that TWA was not compelled to go to extraordinary lengths to accommodate an employee who refused, out of religious conviction, to work Friday nights or Saturdays; and that trucking companies in Tennessee and Texas could not be compelled to abandon an otherwise legitimate seniority system simply because it might perpetuate racial discrimination that occurred prior to enactment of the Civil Rights Act of 1974.

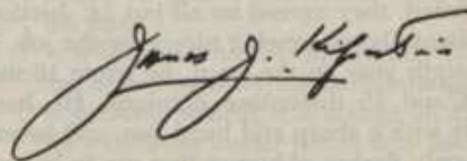
In a wide variety of cases involving labor unions, the court carved things down the middle. The unions won a few: They won an agency shop for teachers in public schools; they won a case involving severance

pay after expiration of a contract; in January they won a unanimous judgment that some Maine truck drivers, engaged in hauling poultry feed, are not agricultural laborers exempt from the National Labor Relations Act. The unions lost a few, too. The principle of trade unionism suffered a setback, under curious circumstances, when the court voted seven to two against the idea of unionization by inmates of North Carolina's prisons and jails. In another case, the court unanimously upheld the right of a nonunion teacher to speak his mind at a public meeting of a school board. In the case of a Los Angeles carpenter, Richard Hill, the court ruled that his union, in which he once served as vice president, could not subject him to humiliation, abuse, ridicule, and loss of employment and then take refuge in the National Labor Relations Board.

The business community lost a couple of cases involving governmental regulation. In one of them an excavation contractor had been heavily fined by the Occupational Safety and Health Administration. He contended that OSHA's civil penalties amounted to suits at common law, to which the employer might be entitled to a jury trial under the Seventh Amendment. The court said no. In another case, the powers of the Environmental Protection Agency were generally upheld.

Few changes appeared in the criminal law. Now and then the court came down on the liberal side: It reversed the conviction of an Iowa murderer who voluntarily led police to his victim; it refused to sanction the death penalty automatically for the murder of a police officer; and it refused to sanction the death penalty at all in cases of rape. The law as to obscene publications remained unchanged: still murky. Three obscenity convictions were affirmed by identical five-to-four votes: Justices Burger, Rehnquist, Blackmun, Powell, and White to convict, and Justices Brennan, Marshall, Stewart, and Stevens to reverse. This is an eyeball-to-eyeball confrontation within the court. Neither the majority nor the minority shows any inclination to budge from fixed positions.

TO COMMENT on this unyielding disagreement on obscenity is to take us back to the point of beginning. If any one of the five members of the majority should die or retire, and if President Carter should appoint a credentialed liberal in his place, the law on obscenity censorship could be changed overnight. As a result of the casting of one vote in a court of nine, the Constitution on Tuesday would no longer mean what it meant on Monday. This is how the system works. Our revered government of law, inevitably, is first of all a government of men.



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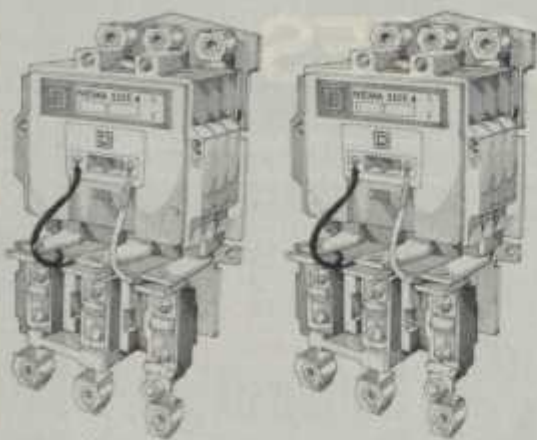
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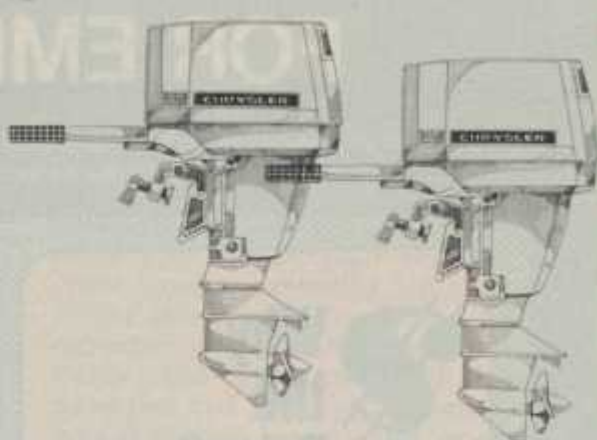
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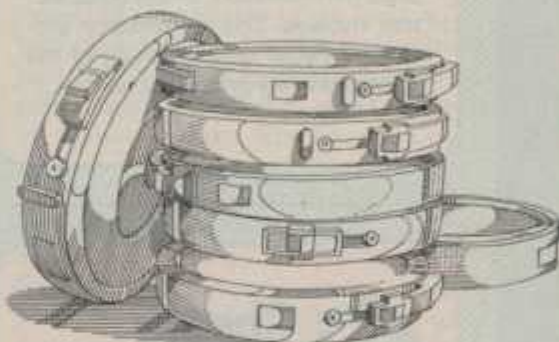
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Withdraw Ground Forces From South Korea?

THE UNITED STATES has military forces totaling 41,300 in South Korea. President Carter plans a phased withdrawal of 33,500 of them over several years, leaving only airmen and a small naval force.

Mr. Carter's plan has stirred up a red-hot controversy.

Japan, our most important Pacific ally, hopes the President will change his mind and keep the Second Infantry Division in South Korea. Unpredictable North Korean President Kim Il Sung, who launched the Korean War in 1950, is still rattling his saber.

South Korean President Park Chung Hee says that, if U. S. ground forces are removed, South Korea will need greatly expanded military aid from Washington. One of President Park's supporters in Seoul says that, instead of removing the Second Division, the U. S. should send back the

Seventh Division, which President Nixon withdrew seven years ago, and should send in still another division.

High-ranking U. S. soldiers say the Carter withdrawal would bring on war or at least increase the possibility of war. They say that North Korea is superior to South Korea in military materiel and that the gap cannot be closed in a few years. One officer, Maj. Gen. John Singlaub, was transferred from a post in South Korea for speaking out publicly.

Another argument is that withdrawal would save little if any money. There is no plan to reduce the overall size of the U. S. Army, and it could cost as much or more to maintain the Second Division in the U. S. or elsewhere as in South Korea.

On the other side, it is argued that South Korea should be capable of standing on its own feet after decades of U. S. help. President Carter notes

that South Korea has a larger army than North Korea.

He also points out that, for the first time since long before World War II, there is no major threat against the U. S. in the western Pacific. A senior Pentagon official says America should beef up its forces in Europe with troops pulled out of South Korea, because Europe is where a confrontation with the Soviets would take place.

The belief is widespread in Washington diplomatic circles that the North Koreans would have little hope of winning a war against South Korea without Soviet and Chinese help and that Moscow and Peking have no intention of allowing North Korea to wreck their relations with the U. S.

Should the U. S. pull its ground forces out of South Korea? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Should the U. S. pull its ground forces out of South Korea?

☐ Yes ☐ No

Comments: _____

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A Vote for Continued Arms Sales Abroad

TO EXPORT arms or not to export arms? The question can provoke heated debate among Americans.

Those who would like to see U. S. arms sales to other nations slowed or stopped view such a move as an important step toward easing world strife. War cannot be waged without weapons, they point out. They say that U. S. government action to restrict or halt arms sales abroad could well lead to similar action in other arms-producing countries, and that even if it didn't, our consciences would be clear.

On the other side, it is argued that if we stopped or reduced our arms traffic, other suppliers would happily pick up where we left off. This, it is argued, would not only defeat the purpose of reducing weaponry in the world, but also would be costly to America in terms of lost revenue.

The "Sound Off to the Editor" question in the June issue of *NATION'S BUSINESS* was: "Should the U. S. curb or stop arms sales to other nations?" By a nine-to-five margin, readers vote no.

"Stopping the sale of arms to other nations sounds nice, but it would not stop the sales of arms to those nations if they wanted to purchase them," says Hugh D. Whitham, owner of Tarbell & Whitham Insurance Agency, South Royalton, Vt. The only effect, he says, would be to "take away a bit of business from the U. S."

Another no voter is Nancy M. Duncan, supervisor of international administration and research at Rockwell International Corp., Pittsburgh. She notes that the U. S. already has some controls on arms exports and says that further restrictions would endanger our foreign policy, which "seems to be based on sales of arms to our friends."

Thomas C. Barger, president of Charles F. Wheelock & Associates, Inc., Birmingham, Ala., argues that we should continue to supply arms in order to "have impact on the world community as well as help our balance of payments."

Frank Schmiedel, president of Fox Den Fairways, Inc., Stow, Ohio, asks:

"As much as we deplore arms build-ups and what they engender, how can we take \$10 billion, or even a part of it, out of our economy?"

George G. Daniels, president of Balmar Crimp Tool Corp., Orlando, Fla., says that "it is better to have people working in defense plants than to have them collecting welfare," and that "if we supply the weapons, we can control their use by refusing to sell spares."

And Winifred Beach, owner of Beach Fuel & Supply Co., Clarkston, Mich., offers this thought: "Other countries have a right to prepare to protect themselves against future aggression. They should have the right to purchase whatever commodity is needed for their welfare."

Among respondents voting yes to our curbing or stopping arms exports is Parviz Ighani, an engineer for Whitman, Requardt, and Associates, Baltimore. "The U. S. should marshal the world for arms limitation," he says. "It is paradoxical that we hold world peace as one of our noblest ideals and strive for its attainment, yet we play a major role in keeping the vicious circle of arms going."

Charles L. Henderson, executive vice president of Mansion House Center Redevelopment Co., St. Louis,

has this to say: "Developing nations cannot eat guns. Let's increase the sale of farming equipment to these countries, rather than guns, so that they won't start wars because they are starving."

This comment comes from R. B. Haakenson, president of State Bank of Bird Island, Bird Island, Minn.: "We are supplying both sides of the Middle East dispute. I cannot see how this is supposed to avoid an armed conflict. We would share in the guilt for a war started by either side."

And Herbert Holland, secretary-treasurer of Forcum-Lannom Associates Inc., Dyersburg, Tenn., says: "We are trying to take guns away from our citizens, so why should we be supplying them to people in other countries?"

Voting with the majority, however, is George T. Hamilton, general manager of the Conam Inspection division of Nuclear Energy Services, Inc., Rahway, N. J. "The U. S. cannot control the world's buying and selling of arms, but we can influence their use if we are involved," he says. He adds: "On the other hand, the objective of reducing the world's armaments should be pursued in concert with other major arms manufacturers." □



Voting against a ban or curb on arms exports is George Evanisko, shop manager, Bernard Electric, Inc., Johnstown, Pa. He says: "Arms themselves cannot start a war. The person behind the arms does this."



"We have to stop these arms sales somehow," says E. Lee Feller, chairman of Alliance Foods, Inc., Coldwater, Mich. "We should take the moral leadership and pressure others to follow."



Dave Rust, employee relations manager for Kimberly-Clark Corp., in Fullerton, Calif., says: "It's the law of supply and demand. If nations want to purchase arms and we do not supply them, someone else will."

The Ultimate Tax Shelter



by
TED NICHOLAS

Tax experts are now referring to a small, privately owned corporation as "The Ultimate Tax Shelter." This is especially true since the passage of the Tax Reform Act of 1976. This law makes most former tax shelters either obsolete, or of little advantage. Investments affected include real estate, oil and gas drilling, cattle feeding, movies, etc. These former tax shelters have lost their attractiveness. Aside from that, these tax shelters required a large investment. Only a small segment of the population could benefit from them.

I've written a book showing how you can form your own corporation. I've taken all the mystery out of it. Thousands of people have already used the system for incorporation described in the book. I'll describe how you may obtain it without risk and with a valuable free bonus.

A corporation can be formed by anyone at surprisingly low cost. And the government encourages people to incorporate, which is a little known fact. The government has recognized the important role of small business in our country. Through favorable legislation incorporating a small business, hobby, or sideline is perfectly legal and ethical. There are numerous tax laws favorable to corporate owners. Some of them are remarkable in this age of ever-increasing taxation. Everyone of us needs all the tax shelter we can get!

Here are just a few of the advantages of having my book on incorporating. You can limit your personal liability. All that is at stake is the money you have invested. This amount can be zero to a few hundred or even a few thousand dollars. Your home, furniture, car, savings, or other possessions are not at risk. You can raise capital and still keep control of your business. You can put aside up to 25% of your income tax free. If you desire, you may wish to set up a non-profit corporation or operate a corporation anonymously. You will save from \$300 to \$1,000 simply by using the handy tear-out forms included in the book. All the things you need: certificate of incorporation, minutes, by-laws, etc., including complete instructions.

There are still other advantages. Your own corporation enables you to more easily maintain continuity and facilitate transfer of ownership. Tax free fringe benefits can be arranged. You can set up your health and life insurance and other programs for you and your family wherein they are tax deductible. Another very important option available to you through incorporation is a medical reim-

bursement plan (MRP). Under an MRP, all medical, dental, pharmaceutical expenses for you and your family can become tax deductible to the corporation. An unincorporated person must exclude the first 3% of family's medical expenses from a personal tax return. For an individual earning \$20,000 the first \$600 are not deductible.

Retirement plans, and pension and profit-sharing arrangements can be set up for you with far greater benefits than those available to self-employed individuals.

A word of caution. Incorporating may not be for you right now. However, my book will help you decide whether or not a corporation is for you now or in the future. I review all the advantages and disadvantages in depth. This choice is yours after learning all the options. If you do decide to incorporate, it can be done by mail quickly and within 48 hours. You never have to leave the privacy of your home.

I'll also reveal to you some startling facts. Why lawyers often charge substantial fees for incorporating when often they prefer not to, and why two-thirds of the New York and American Stock Exchange companies incorporate in Delaware.

You may wonder how others have successfully used the book. Not only a small unincorporated business, but enjoyable hobbies, part time businesses, and even existing jobs have been set up as full fledged corporations. You don't have to have a big business going to benefit. In fact, not many people realize some very important facts. There are 30,000 new businesses formed in the U.S. each and every month. 98% of them are small businesses; often just one individual working from home.

To gain all the advantages of incorporating, it doesn't matter where you live, your age, race, or sex. All that counts is your ideas. If you are looking for some new ideas, I believe my book will stimulate you in that area. I do know many small businessmen, housewives, hobbyists, engineers, and lawyers who have acted on the suggestions in my book. A woman who was my former secretary is incorporated. She is now grossing over \$30,000 working from her home by providing a secretarial service to me and other local businesses. She works her own hours and has all the corporate advantages.

I briefly mentioned that you can start with no capital whatsoever. I know it can be done, since I have formed 18 companies of my own, and I began each

one of them with nothing. Beginning at age 22, I incorporated my first company which was a candy manufacturing concern. Without credit or experience, I raised \$96,000. From that starting point grew a chain of 30 stores. I'm proud of the fact that at age 29 I was selected by a group of businessmen as one of the outstanding businessmen in the nation. As a result of this award, I received an invitation to personally meet with the President of the United States.

I wrote my book, *How To Form Your Own Corporation Without A Lawyer For Under \$50*, because I felt that many more people than otherwise would could become the President of their own corporations. As it has turned out, a very high proportion of all the corporations formed in America each month, at the present time are using my book to incorporate.

Just picture yourself in the position of President of your own corporation. My book gives you all the information you need to make your decision. Let me help you make your business dreams come true.

As a bonus for ordering my book now, I'll send you absolutely free a portfolio of valuable information. It's called "The Incom Plan" and normally sells for \$9.95. It describes a unique plan that shows you how to convert most any job into your own corporation. You'll increase your take-home pay by up to 25% without an increase in salary or even changing jobs in many cases. If you are an employer, learn how to operate your business with independent contractors rather than employees. This means that you'll have no payroll records or withholding taxes to worry about. And you'll be complying with all I.R.S. guidelines. "The Incom Plan" includes forms, examples and sample letter agreements to make it possible.

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A Federal Voice in Private

Yes



PHOTO: ANDREW SCHWEIDER—BLACK STAR

By
Rep. Morris K. Udall

Should the federal government get involved—even indirectly—in planning and controlling the use of private land? That question is a highly controversial one on Capitol Hill, where proposals have been made for a program in which federal funds would be provided to states and localities that impose land-use controls which conform to federal standards. The program would include classification of land for industrial, recreational, or other uses.

In the following articles, two prominent members of Congress give opposing views in the land-use debate. Rep. Morris K. Udall (D.-Ariz.) is chairman of the House Interior Committee and a leading proponent of land-use legislation. Rep. Steven D. Symms (R.-Idaho) is a member of the Interior Committee and a leader of the opposition to federal involvement in land-use controls.

WHILE we will not know the fate of some of President Carter's proposed energy programs for some time, one thing is certain: When any of those programs begins, there will be an enormous and dramatic impact not only on the people of America, but on the land itself.

The development of offshore oil and gas deposits, the mining of coal in the West, and the construction of massive nuclear power installations already are having a profound impact on surrounding communities, their schools, their other municipal services, and their way of life.

In addition, the development of energy resources on public and private

lands breeds a new kind of competition for the land—between homeowner and farmer; between coal leaseholder and rancher; and between timber interests and recreational and environmental groups.

Irrational misuse

All of this points to the need for some national land-use policy. One need not be an expert to realize that pollution, congestion, energy waste, and urban and suburban sprawl are related and are in large measure due to the irrational misuse of land—a misuse that is not going away.

Previous land-use bills have fallen victim to an intense lobbying effort

and presidential vetoing—both motivated by special interests representing the more shortsighted institutions in our society.

At present there is no real order, no overall policy to cope with future land development and the struggle between speculators and preservationists. The intensity of the conflict sometimes obscures the merits of opposing arguments and results in totally unsatisfactory solutions. In some cases good development has been thwarted and disastrous development has taken place. The result has been irretrievable loss of important land and resources and an increase in the punishing toll of pollution and congestion.

Though land-use legislation is high on my own list of priorities in this session of Congress, I am awaiting a signal that this concept has the administration's full support before I introduce a bill.

I believe the administration will give that support because I think it recognizes the need for a national commitment to sensible and comprehensive land-use planning on state and local levels—with federal coordination and financial assistance.

Some people, I realize, cringe at
continued on page 20

Land-Use: Two Views



PHOTO: WIDE WORLD

No

By
Rep. Steven D. Symms

THE CONTROVERSY over federal land-use controls is more than a clash between forces of environmental restraint on one side and economic growth on the other.

I believe the campaign for these controls is a subtle but deadly assault on property rights and the free enterprise system.

Such controls would open the door to taking private property without compensation. How? They would encourage—and possibly force—states to expand zoning powers to the point where owners of some land could be prevented from putting their property to any beneficial use.

The men who framed our Constitution realized that protection of individual freedom of choice was one of the most important functions of government.

A miracle of progress

Out of the deliberations of the early patriots came a system of government based on private ownership principles. The history of the United States under that system has been a miracle of human progress. This nation, operating on the principles of limited government and maximum individual liberty and responsibility, has given more opportunity to more

people than any other nation or system of government in all history.

Yet today many of us seem to have forgotten the value of freedom and the private property ethic that makes that freedom possible.

Compare the principles set forth in our Constitution with these ideas in a recent report by the federal Council on Environmental Quality:

- The right to own property should not include the right to develop it.
- Tough government restrictions should be placed on private land without compensating landowners.
- Growth should be regulated by government rather than by the market system.

While such ideas gain attention in Washington, the people of America are saying clearly that what they want is more freedom, not more government. They are concerned about jobs, inflation, taxes, and government interference in their daily lives. They are not demanding that government be given power to tell people who have worked and saved to acquire property how they must use it.

Centralized controls, high taxes, bureaucratic bungling, and the destruction of individual initiative are the root cause of most of the coun-

try's problems. And yet, even though the government is subject to corruption and government programs are often inefficient and terribly ill-conceived, some people are calling for a whole new costly and unwarranted federal program to plan and control the use of private land.

Where has comprehensive land-use planning been successful? Its advocates give no answers. Yet we are asked to commit the entire land resources of this nation to government planners.

Private property rights have been fundamental to our nation's becoming the richest nation in history. Could government planning have improved upon that?

The question is not whether we should have land-use planning. We already have it in the form of local zoning ordinances and in the market system. The issue is whether decisions on land use should be transferred from owners to bureaucrats in Washington.

There already are opportunities galore for such bureaucrats on federal acreage. The federal government owns one third of America's land. Having outright ownership of so much land, what is Washington's record of accomplishment?

In some of our Western states the percentage of federally owned land is even higher than one third. For example, the federal government owns 64 percent of the land in my home state of Idaho. Federal officials don't do an adequate job of managing that, and yet there are those who would have them manage the private land, too.

Government's big mistakes

All of us recognize that private property owners sometimes have damaged the environment. Individuals have made mistakes. But let us not forget that government is made up of individuals, too, and that government officials also make mistakes. A mistake made by the government generally does far more damage and

continued on page 20

Udall continued

the thought of land-use legislation. They see it as an encroachment on private property and a threat to personal freedom. Such fears are misconceived. The land-use bill I am readying in no way gives government the authority to confiscate land. Indeed, the bill cannot alter the rights of property owners as granted by the Constitution, nor does it mandate federal planning of state and local uses of land.

Grant-in-aid program

What I propose is not something the federal government has never before been involved in. It is not a question of whether or not we have a national program of land-use planning. The question is whether we should continue with a single-focus approach—a coastal-zone management program here, an urban-oriented program there, and still other dedications of land for specific environmental or transportation purposes—or whether we should move into the integrated, comprehensive approach that I believe necessary.

My Land Use and Resource Conservation Act would establish a grant-in-aid program for states that wish to develop a land-use program. The bill would set forth the basic procedural elements of such a program but would not permit federal intervention in any substantive state and local land-use decisions.

States participating in the program would designate "areas of critical concern" where incompatible or uncontrolled development could lead to significant damage to life, property, the environment, or the long-term public interest. In all parts of the country, local and regional governments would have a voice in the land-use decision-making process. This is a key point, for it reflects the need for diversity in the federal system. While land use is a national problem, most of the decisions should be made on local and regional levels.

Two main objectives

There would be two main objectives in the bill. First, it would offer financial incentives and policy direction for states to develop comprehensive land-use planning. Second, it would provide more coordination between federal agencies and the states in developing better techniques for making land-use decisions.

The bill is a logical extension of

the Coastal Zone Management Act of 1972, under which seaboard states are developing land-use programs for their coastal zones. The Coastal Zone Act evolved because of the special problems and fragile nature of the coastal lands and waters. Planning and management programs are vital before the initiation of any major energy development projects and development of the oil resources of the Outer Continental Shelf.

There is a very real need for the same type of planning program for the interior states. The need is particularly evident in light of our ambitious plans for accelerated development of our own energy resources. If we hope to make the transition from dependence on foreign oil to reliance on domestic energy, it would be a serious mistake to proceed without first adopting a decision-making policy that considers all of the consequences.

Conserving energy

Land use remains the most fundamental environmental problem in the nation. If we are to deal effectively with the rising cost of sprawl and pollution, the continuing loss of our prime farmland, and the senseless waste of energy, it is essential that we begin now and stop ignoring the heart of these problems—land use.

The principal elements of a national energy program are conservation of the fuels we have and careful development of new energy sources. Land use fits right in.

Sprawl is costly. Studies disclose that high-density development—with open space equal to that in existing suburban developments—uses half the energy that low-density sprawl does. The same studies indicate that better planning for residential areas would cut pollution in half. Through better planning for neighborhood street patterns alone, we could make tremendous savings in gasoline consumption and help improve the nation's petroleum import position.

For six years I have waged an often lonely and sometimes bitter fight to enact sensible land-use legislation. I have had the support of labor, state, and county government organizations; every major environmental group; the National Association of Realtors; and the Mortgage Bankers Association of America.

The time has come, I believe, for this legislation to be passed by Congress and signed into law. □

Symms continued

is far harder to correct than a mistake made by a private individual.

The authors of the latest land-use bills assure us that they are advancing only modest, limited proposals. Even if that were true, anyone familiar with the bureaucratic process knows how well-meant laws can, through regulations and court interpretations, have major adverse consequences.

For example:

- The National Environmental Policy Act led to the years-long delay in construction of the Alaska pipeline and a major cost escalation that will eventually be borne by consumers. Controls on pesticides under that same act resulted in the proliferation of the tussock moth, which caused extensive damage.

- Herds of sheep and goats are being decimated by coyotes in the West because government controls designed to protect other forms of wildlife prevent effective action against the coyotes.

- Sponsors of the Occupational Safety and Health Act said they were concerned only with safe working conditions and never intended that small businesses be inundated with regulations and paperwork to implement the law, as they have been.

Threat to all our freedoms

So we must bear in mind that federal land-use legislation involves far more than finding better ways to use land.

The right to own and use land is fundamental to human freedom. Those who naively believe that property rights can be separated from human rights have not done their homework. History shows that, unless individuals retain control over the means to house, clothe, and feed themselves, all other freedoms become meaningless. The simple fact is that, if the government controls all the land, it can also effectively control the people who live on the land.

All of us know that problems will develop continually because of private property ownership. This is not a perfect world, and the people who inhabit this planet are not perfect. But the problems caused by private ownership of property cannot be compared with the magnitude of the problems we will encounter if the federal government gets control of our private land. □

How International Harvester collects past due accounts by the "truckload."

The Truck Group of International Harvester is collecting its accounts due much faster these days.

Because of the special nature of these bills—for repairs, parts and maintenance

of trucks—customers go over them with a fine-tooth comb. At one time, if they had doubts about an item, they'd often hold up payment of the entire bill. This caused collection problems.

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Bell System

Sen. Russell Long:

He Can

As head of a committee that fashions tax policies, he is one of the most powerful figures in Washington. What is he like? How does he think?

AT 1600 PENNSYLVANIA Avenue N. W., in the White House, Jimmy Carter ponders legislation that will affect the nation for years to come—legislation involving taxes to pay for Medicare, welfare, Social Security, and massive new health programs.

On Capitol Hill, less than two miles away along the avenue, one senator will pass judgment almost single-handedly on what President Carter gets or doesn't get in these areas.

Russell B. Long (D.-La.) is chairman of the Senate Finance Committee, and, as such, his decisions influence the lives of all Americans. The man who fashions the tax policies of this nation ultimately touches us all.

Although he has almost as much power as any man in Washington, Sen. Long rarely, if ever, flaunts it publicly.

No chip off the old block

The son of flamboyant, outgoing, petulant Huey P. Long, Louisiana governor who also became a U. S. senator, he is no chip off the old block. Huey Long, who was felled by an assassin at age 42, when Russell

Sen. Long has strong views about many issues of great consequence to the nation's future. He calls President Carter's energy plan "an unmitigated disaster on the production side." While the senator agrees that conservation is important, he says increased production is the ultimate solution to the energy shortage.

PHOTO: GEORGE YANKE

Influence Your Life for Years to Come

was 17, did pass on many of his traits to his son. Russell Long is clever—some say brilliant. He is a master at legislative tactics and strategy, and he is a good storyteller. But the Kingfish, as Huey Long was called, was a spellbinder before an audience. Russell is rather lackluster.

Huey Long "was more of a revolutionary," Russell Long says. "I am more the evolutionary type."

Russell Long shows no outward signs of wanting to be President, as his father did. Huey Long published a book in 1935, the year he was assassinated. It was called, "My First Years in the White House."

Defeat for Roosevelt?

"I think he would have been elected in 1940 if he had lived," Russell says. "He would have run as a third-party candidate. President Roosevelt had polls indicating that Huey Long would get so many votes as a third-party candidate in 1936 that a Republican would run ahead of Mr. Roosevelt."

"If that had been the case, and the people had gotten four more years of the kind of government that they had under Herbert Hoover, the public would have been inclined to look toward someone like Huey Long. At that point, I think, he would have had a chance to win."

Name to reckon with

After Huey Long came out of the scrub country of northern Louisiana in 1918 to serve in his first elected office, as a member of the old state railroad commission in Baton Rouge, the name Long became synonymous with politics in the Bayou State. It still is.

The Kingfish dominated the political scene during his years as governor and senator. Russell Long's mother, Rose, completed Huey's unexpired term in the Senate. Russell's

tempestuous uncle, Earl, who took over the so-called Long political machine in 1935, twice served as governor and won a seat in the House of Representatives in 1960, but died before he could take office.

Another uncle, Dr. George Long, a dentist, served in the House. So did a distant cousin, Speedy Long. Another distant cousin, Gillis Long, is an incumbent congressman.

A senator at 30

Russell Long's own plunge into politics started early. After a colorful, hoopla-filled campaign, he was elected president of the Louisiana State University student body. He later received his law degree at L. S. U.

In 1948, at age 29, he won a special election to fill the two-year unexpired U. S. Senate term of the late John P. Overton. He had to stand aside briefly before taking the seat because the Constitution sets the minimum age for a senator at 30.

Today he is sixth in seniority in the 100-member Senate, having served half his life there. He was named chairman of the Senate Finance Committee in January, 1966, after Sen. Harry F. Byrd, Sr. (D.-Va.) resigned for health reasons. At 58, Sen. Long has been a Senate committee chairman longer than all but four other chairmen. Some chairmen are in their late 70's.

Sen. Long has been described as a conservative, a liberal, a populist, and a reactionary, depending on who was hanging the label on him. In an interview with a NATION'S BUSINESS editor, he said of himself:

"I am a populist in some respects, and I would like to think I am a conservative in other respects. I think some of the best senators and best Presidents are both conservative and liberal by the best definition of those words. If you mean conservative because they favor keeping the good

things about the existing order, I would call them conservatives. And if you mean liberal because they favor aggressive, constructive change, I favor that.

"In some respects I even regard myself as a reactionary because there were some very good things in our lives that we let get away and should try to regain. Some of the old values had much more to be said for them than some of these new values we hear so much about. Whatever it was that gave us our inner strength as a nation, we should try to recapture it."

It is easy to see why Sen. Long will be called a conservative one day and a liberal the next. He can fight for some tax laws that make him the darling of the business community and turn right around and press for extensive new social benefits, winning kudos from liberals. Over the long haul, however, he is not looked upon with favor in the vote ratings of the liberal-oriented Americans for Democratic Action. He chalks up high marks with the conservative-leaning Americans for Constitutional Action.

Friend of the oil industry

He has long been a champion of the oil industry, which is not unexpected in view of the prominence of Louisiana oil. He also has enjoyed a comfortable income over the years from personal oil holdings.

Russell Long is one of the most popular members of the Senate. He is respected by Democrats and Republicans alike. Sen. Bob Packwood (R.-Oregon) has said of him: "He is clever, he is crafty, he is smart, he is fair."

His popularity hit a low ebb in 1967, however, when Sen. Edward Kennedy (D.-Mass.) unseated him as Senate Democratic whip. This followed a period in which Sen. Long



Russell Long was about 17 when this picture was taken with his father, Huey P. "Kingfish" Long. The senator thinks his father might have been elected President in 1940 if he had not been assassinated five years before.

had joined with a handful of others in defending former Sen. Thomas J. Dodd (D.-Conn.) against charges of misusing political funds. About that same time Sen. Long staged a filibuster and successfully pushed through an amendment allowing taxpayers the right to apply \$1 of their tax liability to presidential campaign funds. Although the filibuster was unpopular with other senators, Sen. Long regards this as one of the great triumphs of his career.

Expert on Tax Code

His father knew Louisiana law like the back of his hand, and Russell Long has no peer when it comes to the U. S. Tax Code. He manages a tax bill on the Senate floor with the consummate skill of a star quarterback moving his team toward the goal line. Sen. William Proxmire (D.-Wis.), who once came out on the short end of a skirmish with the Louisiana senator, said of him: "He knows the Tax Code about as thoroughly as the Pope knows the Lord's Prayer."

If Russell Long is center stage in matters affecting taxes, it was not always so. When Rep. Wilbur Mills (D.-Ark.) dominated the House Ways and Means Committee, his committee got most of the public

attention. Mr. Mills, who was almost an institution of government, never let Sen. Long enjoy equal status.

Today, in a sense, the tables are turned. Rep. Al Ullman (D.-Oregon), who now heads the House Ways and Means Committee, sits in Sen. Long's shadow.

The senator has played a leading role in two massive restructurings of the American tax system—the Tax Reform Act of 1969 and the Tax Reform Act of 1976. He does not take lightly the charge by his detractors that the tax system is still full of loopholes.

"I would like to make the public understand something that is not apparent to everybody," he told *NATION'S BUSINESS*. "We want people to contribute to charity, so we allow a deduction for charitable giving. We want manufacturers to buy new equipment, start new plants, and put more people to work, so we give them tax credits and deductions for doing those things. We want those who can to give money toward education. All these things are beneficial to society."

"Is it not fair, then, to give a tax advantage to those who contribute in this fashion over those who don't? There must be incentives in the system if we are to continue to enjoy such contributions."

The easygoing senator speaks out vigorously and sometimes bitterly if he feels he is unjustly criticized for looking after special interests or for engineering "midnight loopholes" in tax revision bills.

"False tax reform"

Last year he took on Sens. Kennedy and Proxmire, who had leveled such accusations. In a lengthy letter to "The Washington Post," the Louisiana lawmaker said:

"If the ringleaders of the false tax reform group had their way, they would not return the revenue gains of their 'reforms' to taxpayers by lowering tax rates. They would end many of the incentives which encourage private enterprise to expand and to create new jobs, in order to plow these billions into bigger government, more bureaucracy, and ever-expanding social welfare programs."

"If that is what the American taxpayer really wants, then he should have it. But it should not be fed to him under the guise of tax reform."

Sen. Long says he appreciates the criticism that the more tax forms supposedly are simplified, the more complicated they become. He is convinced, however, that the estimated 76 percent of taxpayers who will use the standard deduction next year will find the income tax form the simplest in several decades.

Even those who file itemized deductions should be happy with the 1977 form, he says.

Advice for businessmen

Sen. Long has advice for businessmen who feel they get shortchanged by Congress: Get organized and stop talking only with lawmakers who are friendly to business.

"The business community will have to gear itself to communicate its story to the middle in Congress," he says. "The business community could be twice as effective if it would recognize that the outcomes of these difficult debates in Congress are decided by the middle, not the fellows on the left or the right."

"The trouble with business is that it communicates too much with the people who are with it already and too little with the people who are doubtful or who may be committed to the other side. Business should try to talk with the moderates and those who are left of center in more meaningful language."

"This is not just a matter of communicating; it is a case of being a good salesman. A good salesman knows the territory. He knows how to approach the client he is trying to sell."

Confrontations with Carter

Russell Long and Jimmy Carter probably will confront each other many times in the months ahead. One such confrontation could come over the manner in which the President seeks to shore up the Social Security system, which is paying out more than it is taking in. Among Mr. Carter's proposed solutions is to divert money from general Treasury revenues until Social Security can be restored to pay-as-you-go status.

"I have grave doubts about that," Sen. Long asserts. "It suggests that we simply bail out politicians who have promised more than they are willing to tax the public to pay for. They would do this with printing-press money."

"The way to avoid this is simply to put on enough taxes or else cut back on some of the windfall benefits."

Has Social Security been so bur-

dened with new benefits, over the years, that the saturation point has been reached?

"We haven't reached that point," the senator says, "but we have passed the point when we can provide additional benefits merely by changing our assumptions [economic yardsticks which attempt to forecast the effects of inflation and other factors on Social Security payouts]. When I first came to the Senate, we were financing Social Security on the theory that we would build up a trust fund of more than \$200 billion by the year 2000. Then we began to change the assumptions to say that we didn't need that large a fund as long as we collected more money each year than we paid out in benefits. In due course we found we weren't even keeping up."

Social Security realities

The senator says Congress must recognize that every new Social Security system benefit will have to be accompanied by a tax increase or paid for in some other fashion. He is skeptical about using the income tax to finance Social Security.

"Some people criticize the Social

Security tax as being regressive, but keep in mind that we have an earned income credit which is paid out of general revenues to reimburse the working poor for the Social Security taxes they pay," he says.

"In view of the fact that the Social Security benefits are weighted heavily in favor of people at the lower end of the economic ladder and against people at the upper end, it seems to me there should be no complaints that an income tax is more progressive than a Social Security tax."

Taxes at the top

The senator says "many liberals and good, sincere labor leaders" contend that Social Security benefits can be broadened with money that is "provided by taxing five percent of the people in the upper income brackets without taxing the great majority of the other 95 percent." This, he says, is just so much foolishness.

"Income taxes on the average take 50 percent of the earnings of those in the top bracket. They are paying Social Security taxes for themselves and indirectly for others in the price of everything they consume. They are paying property taxes and all the



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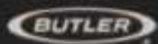
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Russell Long and another powerful Senate committee chairman, John C. Stennis, of the Armed Services Committee.

consumer, state, and local taxes that the mind of man can conceive. They are paying high gift taxes, and when they die, up to 70 percent of what they own is taken in inheritance taxes."

America may have reached the point of diminishing returns as far as adding new tax burdens at upper levels of income is concerned, Sen. Long says. "If you tax these people too heavily, they will simply reduce their effort," he says. "They will not create the new jobs and opportunities that we need."

Energy "disaster"

The President and the senator are almost certain to have a major confrontation over energy legislation. A hint of this came recently when Sen. Long commented on a Mobil Corp. newspaper advertisement which suggested that the core of the energy problem is not shortage, but deliverability of domestic energy. Sen. Long said in a letter to his 99 colleagues:

"This article points out briefly and clearly what is wrong with the President's proposed energy plan: It is an unmitigated disaster on the production side.

"The conservation side of the equation must be pursued. However, the

most that this aspect can accomplish in the foreseeable future is to reduce the gross rate in energy consumption.

"To get at the energy problem in a way which does not stultify and impede the growth of the American economy, this country must place far more emphasis on the production side."

Welfare reform

The senator has equally strong views about correcting the welfare system, which he feels does not offer incentives that are adequate for getting the able-bodied poor to help support themselves.

He says he agrees with Labor Secretary Ray Marshall that private-sector jobs are preferable but that, when they cannot be provided, the government should step in and make jobs available.

"We are generally talking about families of two, three, or more members where at least one person is able-bodied and in a position to earn some pay," he explains. "We should offer a work opportunity sufficiently rewarding to move that family out of poverty.

"If such jobs are turned down, this kind of family should not be privileged to live on the tax money of people who are working at the same relative wage scale and are paying their fair share of taxes.

"I don't want anyone to starve, of course. But I see no reason why help should be extended to those who are able and yet reject employment opportunities."

Sen. Long thinks true welfare reform will finally come about someday. He doesn't know when.

Among the senator's proudest accomplishments is that he was able to help block adoption of President Nixon's proposed family assistance plan, which would have added low-income wage earners to welfare rolls for the first time.

"This would have doubled the number of people on welfare immediately and quadrupled the number in time," Sen. Long explains. "If this legislation had passed, our form of government could have been destroyed. There would have been so many people on welfare that the politicians could not have avoided continuing to raise benefits. And more and more people would have gone on welfare, to the point where those on welfare would have outnumbered those not on welfare.

"By defeating this legislation, we may have saved the American free enterprise system."

Does the senator see the private enterprise system as being in trouble now?

"It sure is. So many burdens are being piled on business—on an environmental basis, on a safety basis, on the basis of the government telling business how to produce its products and to whom they can be sold.

"Today's businessman must have the genius of an Einstein, the memory of an elephant, and the education of a lawyer, scientist, and educator all wrapped in one.

"If we keep adding burdens on business, the system will fail. Businessmen simply cannot shoulder all of these burdens. We must reduce government interference in the operation of businesses and in the lives of our people in general."

Sharing the wealth

When Huey Long pushed a program of heavier taxation on businesses and prosperous individuals in Louisiana, he hit on a slogan—"share the wealth"—which made him a popular figure in what was then a generally impoverished America.

Russell Long would like to share the wealth, too, but not in his father's fashion of taking from the haves and giving to the have-nots.

"My greatest hope is to see us reach a day when the great majority of our people will enjoy the good things of this country," he says. "I don't seek to redistribute the wealth as my father did in his day. I would just like to see us distribute the wealth somewhat more evenly."

He estimates that about 85 percent of today's property, money, tangible goods, etc., are owned by 15 percent of the people, while 35 percent own about ten percent and the other 50 percent have the remaining five percent.

"I would like to see this redistributed in such a fashion that 30 percent would be owned by the 15 percent of the people at the top, about 35 percent by the 35 percent in the middle, and the balance by the other 50 percent of our citizens."

He adds that he sees "an America where someday everybody will live above the poverty line."

How would the senator accomplish this? He explains:

"You would need more employee stock ownership plans and expanded

pension plans, and you may need some other things that I can't anticipate at this time."

Sen. Long advocates an employee stock ownership plan which, he says, is gaining popularity around the country. He sponsored a provision in the Tax Reduction Act of 1975 which cleared the way for creation of ESOP's.

When a company files for a ten percent investment tax credit, the government adds an extra one percent tax credit for setting up an ESOP trust fund. Monies accumulating in the fund are converted to shares of stock which in turn are assigned to employees. [See "How to Motivate Your Employees and Raise Capital, Too," NATION'S BUSINESS, October, 1976.]

There is no question that Russell Long enjoys his work. He rarely misses a Finance Committee session and will sit through hours of tedious testimony, seemingly relishing every word.

In 1973, in a rare display of emotion, the entire Senate spontaneously applauded Sen. Long after passage of

a complicated Social Security bill. For 2½ days, and well into the night, Mr. Long had been on the floor managing the bill. Dozens of amendments were debated and voted upon.

The ultimate accolade

The ultimate accolade came from then Senate Majority Leader Mike Mansfield (D.-Mont.), who, when the final vote was taken, rose and said:

"I commend the distinguished senator from Louisiana for doing his usual skillful managerial job on a most difficult piece of legislation.

"Speaking personally, I am glad I am not in his shoes because this is a most difficult committee to chair, and this piece of legislation, which the Senate has just agreed to, was one of the most difficult to manage through this chamber.

"When one considers all the amendments which have been offered today and one becomes aware of the skill, the knowledge, and the maneuverability of the distinguished senator, one cannot help but admire him."

Issues Before Sen. Long's Committee Now

Here is some of the major legislation being considered this year by Chairman Russell Long's Senate Finance Committee:

Energy tax measures—Impose a crude oil equalization tax to bring the market price of price-controlled oil up to the price of uncontrolled oil by 1980. Grant per capita tax rebates to all taxpayers and special rebates to individuals using home heating oil. Levy a two-tiered tax on industrial users of oil and natural gas who consume in excess of the equivalent of 50,000 barrels per year. Impose a tax on new cars obtaining less than 15 miles per gallon of gasoline and offer tax-credit incentives for home insulation and other conservation measures.

Public Assistance Amendments of 1977—Expand federal support for child welfare services with particular emphasis on taking children out of foster care, either by reuniting them with their families or by arranging for their adoption. Provide an additional \$200 million

in child care funds and extend the federal program of supplemental security income to needy, aged, and disabled persons in Puerto Rico.

Social Security financing—The Social Security system faces a serious long-term deficit and needs additional funding in the near future. President Carter has proposed a combination of tax increases and benefit modifications to deal with this financing problem.

Medicare and Medicaid abuse—This bill contains a number of provisions designed to curb abuse of the Medicare and Medicaid programs by providers of medical care.

Hospital cost containment—President Carter has proposed short-term measures to limit reimbursement to hospitals in order to save funds under major federal health programs. Other proposals pending in the committee deal with curbing hospital cost increases over the long term.



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Eula Bingham:

Will She Take the Nonsense Out of OSHA?

"We're going to focus our efforts on the real health and safety problems which American workers face. We're going to stop fishing for minnows and start going after whales."—Ray Marshall, Secretary of Labor

THE PERSON picked to direct the harpooning for the controversial Occupational Safety and Health Administration is no glowering, vengeful Capt. Ahab.

Dr. Eula Bingham is a pleasant woman who smiles frequently. But she does resemble Moby Dick's nemesis in one respect: She is determined.

The new assistant secretary of labor for OSHA says she intends to get rid of a lot of the nit-picking, pesky regulation which has driven up business costs and the blood pressures of businessmen—particularly small businessmen—in recent years. At the same time she says she will be really tough on hazardous workplaces.

Last spring, not long after taking over her job, she held a joint press conference with her boss, Labor Secretary Ray Marshall, at which he said OSHA would have two equal priorities—concentrating on the most serious safety and health hazards in the workplace and getting the "monkey of unnecessary and complex gov-



When she was confirmed last March, Dr. Eula Bingham, an environmental health expert from the University of Cincinnati, became the first woman to head the Occupational Safety and Health Administration.

ernment regulations off the backs of small business. In short, what we are trying to do is save lives, protect workers' health, and prevent injuries—not print regulations."

Big-time management

Although she has served on many federal commissions and committees, Dr. Bingham is an unknown quantity as a manager of a large organization such as OSHA, which has a staff of 2,400 located in Washington and 133 offices around the nation. The agency's budget for the fiscal year starting next Oct. 1 is \$136 million.

OSHA's new chief is a career educator and research toxicologist who has specialized in work on cancer-causing substances. As associate director of the environmental health department of the College of Medicine at the University of Cincinnati, she was responsible for supervising 80 graduate students and 60 faculty members. She admits to having some qualms about managing so large an operation as OSHA, but she is trying to tackle the job in a commonsense manner.

One of the first things she did on moving into her spacious office in the Labor Department's headquarters near the Capitol was to install a blackboard. She does her best thinking with the aid of a blackboard, she says, and always carries chalk in her purse "because it seems that every time I go to a meeting, there is a blackboard and no one has any chalk. I go prepared."

Changes in direction

She says she took the job "because I'm committed to do something for the workers of this country in terms of health and safety." Also, she says, she is committed to more commonsense priorities for OSHA.

"Beginning this year 95 percent of OSHA's inspections will be devoted to those industries with the most serious health and safety problems, such as construction, manufacturing, transportation, and petrochemicals," she told NATION'S BUSINESS.

In the past, in high-risk industries, only one out of every 23 businesses with fewer than 25 employees was

subject to an OSHA inspection per year. Now the ratio of inspections for such small businesses is expected to rise to one in 21. The ratio for larger firms, which has been one in eight, is expected to increase to one in seven.

The change in the inspection rate for lower-risk industries, such as retailing and finance, will be more dramatic. One small business out of 500 in these fields has been inspected in a given year, but in the future one in 1,300 will be inspected. One in 100 larger businesses in these fields has been inspected; the ratio will rise to one in 300.

Dr. Bingham emphasizes a spirit of cooperation with small business.

"We are not trying to harass small

"Our task is to make life safer for employees, not to make life harder for employers."

businessmen," she says. "We will listen to them, and we want them to know that we are trying to be helpful. But we also want them to understand that the size of the work force doesn't determine the severity of the hazard."

She plans to name a special assistant so small business will have an input and a champion at the highest level of the agency.

Also, OSHA has published a handbook that explains in simple terms how to comply with OSHA regulations. And Dr. Bingham plans a major expansion of the on-site program in which an employer voluntarily requests free consultation with an OSHA representative on whether a workplace meets health and safety standards and on how to meet them if it doesn't. She says her agency will test the possibility of getting added manpower for such consultations

from universities and various private organizations.

"Our task is to make life safer for employees, not to make life harder for employers," Dr. Bingham says. "I feel certain that most small business people want their workers to be protected."

She notes that, in most small businesses, employees and employers work together, often side by side. "They breathe the same chemicals; they work around the same machines," she says. "They are exposed to the same hazards."

No exemptions

However, Dr. Bingham will not go along with suggestions that some small firms be exempted from OSHA's purview. "I'm against exempting anyone," she says. "You have no right to deny the employee his right to a safe and healthy workplace."

Dr. Bingham predicts more emphasis by her six-year-old agency on performance criteria in the development or modification of safety standards and less rigid reliance on use of specifications. For example, a revised safety regulation on ladders would detail how a satisfactory ladder should perform rather than just how the ladder should be constructed, as the current ladder standard does.

Future regulations will be a combination of both performance and specification criteria, Dr. Bingham says.

"One of the greatest sources of criticism of OSHA in the past has been the more than 5,000 consensus standards, such as the one on ladders," she says. "These standards include many so-called Mickey Mouse rules that burden employers without really protecting workers. We are combing through these standards. We shall eliminate outdated regulations. We shall revise and simplify necessary regulations that are unclear or needlessly detailed or complicated."

The consensus standards are voluntary industry standards which OSHA adopted in the first years of its existence in order to get started. "It was a mistake to embrace the



"We are not trying to harass small businessmen. We will listen to them, and we want them to know that we are trying to be helpful."

consensus standards in toto as OSHA did," Dr. Bingham says. "The agency should have taken a cut at them originally."

Silly little rules

Certain to receive enthusiastic business support is Dr. Bingham's plan to expand use of "de minimus" notices for violations of standards that have nothing to do with worker health or safety. These notices simply call attention to an infraction, but carry no fines or requirements for action.

Some such standards, like one for coat hooks in toilet stalls, have been abolished. "The Department of Labor has more important things to do than hang employers up on silly little rules," Dr. Bingham says.

She has started working on the matter of the height of fire extinguishers. She asks the rhetorical question: Does it really make sense to require that the fire extinguishers in a pro basketball team dressing

room be installed at the same height as those in the dressing room of jockeys?

"We are going to start developing standards that deal directly with making the workplace safe and healthy, instead of dictating specifics that have nothing to do with protecting workers," Dr. Bingham says.

Secretary of Labor Marshall adds that OSHA is "going to stop trying to regulate every detail of life in every office, store, and factory" and is going to simplify its regulations "so that everyone can understand them. No longer will small businesses have to hire lawyers to interpret OSHA regulations."

In mid-July Dr. Bingham announced a major effort by her agency to cut paperwork for business.

She plans to exempt firms with ten or fewer employees from OSHA record-keeping requirements starting early in 1978.

And she already has cut in half the number of firms surveyed for OSHA by the Bureau of Labor Statistics. Those firms that are surveyed will have to report only half as much information as before.

Economic impact

President Ford last year required OSHA to begin making statements on the economic impact of planned regulations before issuing the regulations. President Carter agrees with this requirement.

Dr. Bingham has reservations about the requirement, although she is not openly balking at it.

"My inclination is to base standards on health implications and technological feasibility," she says. "It is difficult to separate economics from this. One of the important things is to know whether or not industry is giving you all the facts. Some economic impact statements in the past have been inflated. Economic disaster that was predicted just didn't happen. It is easy to get trapped into a cost-benefit analysis. I recognize there are limits to resources, but I find it hard to put them before disease and injury."

Who is this 47-year-old scientist chosen to head OSHA's whale hunt?

Farmer's daughter

Eula Lee Bingham was born in Covington, Ky., the daughter of a railroader who lost his job in the Depression and took up farming in Boone County, just across the Ohio

River from Cincinnati. An only child, she "never minded being alone," she says. "To this day, although I like people, it is essential for me to have some time alone."

She attended rural schools until she entered high school in Covington. By the time she was in high school she had sort of settled on being a schoolteacher. She liked mathematics, biology, and chemistry. There were no thoughts about a career that would lead her to specializing in carcinogens.

Dr. Bingham, who laughs easily and often, says: "You won't believe this, but when I was in 4-H my project was growing tobacco."

And then she says with unmistakable pride that her father "grew the best burley in all of Kentucky."

Back to the campus

She received a degree in chemistry from Eastern Kentucky University in 1951. Her first job was in Cincinnati as one of two women chemists employed by the Hilton-Davis Chemical Co., a manufacturer of dyes and other chemicals.

While at Hilton-Davis she found that research was the area of science that appealed to her most. So she applied at the University of Cincinnati for a teaching fellowship and was accepted.

Not long after her arrival, the other graduate students—all males—crowded into the small cubicle she had been assigned as an office. They asked her name and roared with laughter when the girl from the Kentucky hills said: "Eula Lee."

While it was traditional for Southern girls to have middle names such as Lou, Beth, or Ann, her associates solemnly advised her that it was simply impossible for them to be calling anyone Eula Lee for four years.

Call her Max

They had a solution. In a current book, an author had named 24 different characters Max. Why not a 25th Max?

From that moment Eula Lee Bingham became Max Bingham, and she is still addressed that way by friends and close associates. By the time she married Cincinnati surgeon Dr. Hellmut Mattheis in 1960, she had dropped the Lee from her name altogether, retaining the Eula Bingham for professional reasons. The marriage, which ended in divorce in 1975, produced three daughters.

In 1954 she was awarded a master's degree in zoology, with her primary work being done in the field of endocrinology. A doctorate in zoology came in 1958, with specialization in physiology. Her first job was with a group in the university's department of environmental health that was researching chemical agents which cause cancer.

Dr. Bingham was named an assistant professor in the department of environmental health in 1961. The department became her professional home until this year. She taught courses in preventive medicine, toxicology, and physiology to medical students and did more research on chemical carcinogens. She became an associate professor in 1970 and associate director of the department two years later. Last year she was nominated for a full professorship.

Summons from the Secretary

Early this year, while attending a Food and Drug Administration seminar in a Washington suburb, she was advised by her office in Cincinnati that the Carter administration's transition team had called her. She returned the call and learned that Labor Secretary-designate Marshall wanted to talk to her about a job. This was a surprise, yet it wasn't.

"A number of people had said they were going to put my name on the list, and I just laughed and said: 'Oh, sure.'"

She thought the job might be that of heading OSHA, yet she was aware that a top labor union official was expected to get the post. A week later she sat down with Mr. Marshall, whom she had never met. The meeting went well, and she recognized that the signals were indicating she was the OSHA choice. In short order she and a prospective appointee to another post were on their way to the White House to meet with the President of the United States.

"I thought: 'Oh, good heaven, what does this mean?' Well, anyway, the President said he just wanted to meet the people who were being considered for appointments to controversial agencies and see if we had our heads on right."

Life in Washington

And so Eula Bingham came to Washington, but not without second thoughts. The new job pays well—\$50,000 annually—but, she says, "I had a good life in Cincinnati."

There was a comfortable home in the Hyde Park section, as well as a full professorship, tenure, and all the consulting she might want. On weekends there was the family farm, where her mother still lives. The farm is a refuge to Eula Bingham. Every year she plants a garden there.

"I don't have any other hobbies," she says. "There isn't much time left when you have a full-time job and three young daughters. But I do find working in the garden very relaxing."

The three daughters remained in Cincinnati until June to finish the school year. Every week Dr. Bingham caught the last flight Friday night from Washington to Cincinnati and the last flight back on Sunday night. Whether the girls will go to school in Washington or Cincinnati next year will be decided this summer.

Home now is an apartment in Alexandria, Va., a Washington suburb. Dr. Bingham leaves early each morning. Driving herself in a Pinto station wagon, she pulls into her parking space in the basement of the Labor Department building around 6:30. Her day ends late in the eve-

ning—sometimes as late as 10 p.m.

Although she and other top departmental officials have a private dining room, she frequently brings bread, cheese, and potted meats. She eats in her office, where a portable hamburger grill is a recent addition. Dr. Bingham prefers casual dress, her favorite being a skirt, a blouse, and a colorful neckerchief.

Problems on the job

What was the first major problem she faced in her new job?

"Getting my personal mail at the office, and then learning about the bureaucracy."

Another initial problem was clearing the air as to her allegiance. Politically, she claims to be an independent, although she says that in the 1976 election she did vote a straight Democratic ticket. It was the first time she had ever voted a straight ticket, she says.

Several attempts have been made to align her with organized labor and give the impression that the AFL-CIO and United Auto Workers were her chief sponsors. Dr. Bingham has



"So many things are competing for my time. The most distressing aspect is what I call rearguard action—trying to correct past mistakes. You know, it is very hard to get a good reputation back after you have lost it."

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been at pains to explain that she had many sponsors.

"I have never consulted for any labor union," she says. "I have done a small amount of consulting for industry and government. I think I got labor's endorsement because I spoke out on the issues."

Speaking out

She was chairman of an OSHA panel on coke oven emissions last year and earned a reputation as an activist who spoke out candidly.

"It became clear to me on a number of issues that, when it came time to voice an opinion, people who had worked for industry, and even people in academia, tended not to speak out on social issues. Somehow or other I decided to speak out."

Will Washington change Eula Bingham? Will she continue to speak out? Or will she find—as so many have in the capital—that it is wiser to speak guardedly?

For example, Dr. Bingham says that OSHA will place more emphasis on health inspections, a direction taken by her immediate predecessor, Dr. Morton Corn [see "OSHA's New Focus: The Health of Your Employees," NATION'S BUSINESS, May, 1976]. Yet how can you have such a program with a handful of industrial hygienists on the staff? In a year of recruiting activity the number has gone from 248 to 367. More than 1,000 are needed if a goal of matching the number of OSHA's safety inspectors is to be reached.

In mid-May Dr. Bingham launched a recruiting campaign at a meeting

"An Employer's Guide to the Occupational Safety and Health Administration's Switch to Common Sense Priorities" is available from the Chamber of Commerce of the United States, 1615 H Street N. W., Washington, D. C. 20062. Price per copy: \$1.25 for one to nine copies; \$1 for ten to 99; and 75 cents for more than 100.

of the American Industrial Hygiene Association in New Orleans. She passed out large buttons that read: "Enlist in OSHA," and she sported a T-shirt emblazoned with the words: "OSHA Needs You! Enlist Today!"

This was not the first time that Dr. Bingham has shown a flair for T-shirt humor. At one point during

the OSHA panel's hearings on coke oven emissions she left the meeting room and returned wearing a T-shirt proclaiming: "What's Good for Eula Is Good for Steel."

Since there are only about 4,500 qualified industrial hygienists in the nation, OSHA recruiters have to vie with industry for their services. Dr. Bingham feels that the answer is to train OSHA specialists from related disciplines and that her best source is the young college graduate looking for a cause. That may spell trouble for business, but Dr. Bingham says her new health inspectors not only will be highly qualified and technically trained, they will be sensitized to the problems of employers.

She is continuing the program of upgrading the training of all OSHA inspectors started in 1976 by Dr. Corn. Training classes are already under way at an urban campus in Chicago.

"Much of the criticism of OSHA inspectors is due to lack of professionalism," Dr. Bingham contends. "The higher the professionalism, the fewer the problems. Quite frequently you find the insecure people are the tyrants."

Exporting jobs

Dr. Bingham is aware that many factors must be considered in decision-making at OSHA. For example, there is the possibility that in some instances the cost of complying with OSHA regulations could force a company to close a plant and move operations overseas, with a resulting loss of jobs in the U. S.

"I clearly recognize the problem of orchestrating the Labor Department's actions where workers and their jobs are a major concern," Dr. Bingham says. "We are in the department, we interact, and everyone is concerned about jobs. Our decisions in OSHA are not made frivolously."

How does she find her own job?

The best thing about it, she says, is the potential the agency has to remove hazards from the workplace.

"I've learned a lot about the agency," she adds. "It is much more complex than I had anticipated, and so many things are competing for my time. The most distressing aspect is what I call rearguard action—trying to correct past mistakes. You know, it is very hard to get a good reputation back after you have lost it."

Or, as critics of OSHA observe, to regain one you have never had. □

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Mark Haroldsen reached his first million in 48 months:
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tually do make 10, 20, or 50 times more money than you do.

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Stuart Eizenstat:

An Inside Look at How the White House Operates

**Jimmy Carter's chief adviser
on domestic programs describes the way
he helps the President make decisions**

JIMMY CARTER gets a presentation of opinion based on practicality, not ideology, each time he must make a decision on issues that face the nation, a key presidential adviser says.

Stuart E. Eizenstat, assistant to the President for domestic affairs and policy, says he tries to give Mr. Carter a judgment that takes into account the views of a variety of sources in and out of government.

Few people in Washington are as close to the President as Mr. Eizenstat, who has been Mr. Carter's chief adviser in the domestic area for two years and served him in a similar capacity when he ran for the governorship of Georgia.

Mr. Eizenstat gives an inside look



Stuart Eizenstat (left) discusses his wide-ranging White House duties during an interview with Dr. Richard Leshner, president of the Chamber of Commerce of the United States. Mr. Eizenstat says the business viewpoint is always considered when he briefs President Carter on domestic policy.

at the presidential decision-making process in the following discussion with Dr. Richard L. Lesher, president of the Chamber of Commerce of the United States.

The discussion also covers administration philosophy on such matters as campaign promises, the Occupational Safety and Health Administration, airline regulation, welfare reform, and the proposed Consumer Protection Agency.

Dr. Lesher: It has been said that you occupy one of the most powerful positions in the administration, and yet I guess most people don't know what your role in the White House really is. Would you describe what you do?

Mr. Eizenstat: I am the President's chief adviser on domestic affairs. It is my function to attempt to formulate policy in every domestic area; to try to ensure that the Cabinet departments are taking positions consistent with the President's positions; to clear all of our legislative proposals, including some that involve international issues with a domestic impact, such as trade matters; and to give the President advice on how we should react to various changes in our legislation that are proposed in Congress.

Dr. Lesher: Do you become something of an expert on each issue?

Mr. Eizenstat: I have been doing this for the President for more than two years, including the period when he was running for the presidency. I have also done it for candidates who were running for Congress and other offices. In addition, I was the President's issues director when he was running for governor in 1969.

So I feel I have a good grasp of most domestic issues. I don't pretend to be the world's foremost expert on any one, but I have a good enough grasp to know the problems in each, the direction we ought to take, the pitfalls, the positions that interest groups are likely to take, and the

probable congressional reactions. I try to know enough so I can give the President a reasoned and intelligent judgment on every issue.

Dr. Lesher: How much staff do you have, and how does it interact?

Mr. Eizenstat: I have a group of 25 professionals who are divided into functional areas. For example, one specializes in the health area, another in education, another in business and taxes, another in the civil rights and criminal justice area, and so forth. For every issue that comes up, someone on our staff is an expert.

Dr. Lesher: How does President Carter differ from candidate Carter on key issues?

Mr. Eizenstat: He differs very little. Obviously, governing is different than campaigning. The realities of governing impose restrictions in terms of what can pass in Congress and what cannot, and of budget restrictions and the like.

But essentially his basic thrust, his basic philosophy, his basic goals, remain the same as President as they were when he was a candidate.

Dr. Lesher: How about differences between the President when he was vying for the nomination and during the presidential campaign after he was nominated?

Mr. Eizenstat: Of course, each succeeding day in a campaign brings a new issue, but essentially our positions were consistent throughout the campaign.

I might add that the President directed me at the beginning of the administration to prepare a book, for distribution to each Cabinet member, which attempted to catalog all of the campaign promises which the President made. He directed each Cabinet member to attempt, as much as humanly possible, to follow those campaign commitments. He also directed me to attempt to make sure that the Cabinet departments were reflecting those commitments.

Dr. Lesher: How about candidate Carter's position on natural gas price deregulation versus President Carter's energy package? Is there an inconsistency there?

Mr. Eizenstat: During the campaign we said that, on an experimental basis, we would like to move toward deregulation of natural gas. In our national energy plan we made a major step toward deregulation by proposing raising the interstate price of new natural gas from \$1.42 to \$1.75, in effect giving equal treatment to the interstate and intrastate markets. [Critics of the President's energy plan note, however, that it would extend federal price controls for the first time to natural gas produced and sold within the same state.] Also, the price of natural gas would rise, to an extent, with crude oil prices—in other words, a decontrol mechanism.

It is our belief that we have made a step toward decontrol of natural gas.

Dr. Lesher: It has been said that Bert Lance, the director of the Office of Management and Budget, is more or less the conservative in the White House and that you are one of the liberals. Are those descriptions accurate?

Mr. Eizenstat: They aren't accurate at all. Neither Bert nor I attacks a problem from an ideological standpoint. We try to attack each problem on an individual basis and to determine whether we can solve it in a particular way, within particular budget restrictions.

We don't consider, nor do I think the President considers, the liberal and conservative labels of the past to be relevant to the problems we have now.

Problems like energy, the environment, jobs, and inflation are too complicated to be solved with programs that come out of an ideological mindset. We try to be practical.

Dr. Lesher: What did you mean,

then, when you talked about the President's basic thrust, his basic philosophy? What principles are involved?

Mr. Eizenstat: I have felt since the beginning of the campaign that Mr. Carter has a thrust in philosophy that is threefold: First, to achieve a more open, responsive government—one in which press conferences are more frequent, there is disclosure of financial resources and the like, and the processes of government are more available for scrutiny.

Second, to achieve a more sensitive government, one that recognizes its limits but nevertheless recognizes it has certain responsibilities to people who need help.

And third, a competent and efficient government. That is to say, a government which avoids overlap and duplication, red tape and overregulation, and overspending.

I think those three themes undergirded the campaign and now undergird the administration.

Dr. Lesher: You would not say, then, that Mr. Carter's commitment to slowing down the rate of growth of government has anything to do with an equal commitment to put more things into the private sector?

Mr. Eizenstat: I think it does. I mentioned as one of the three themes the notion of a more efficient government, one that does not overregulate. We believe that, in an area such as airline regulation or the Occupational Safety and Health Administration, the government is overregulating the private economy. It is time to permit more private competition. It is time to eliminate red tape, to have simpler forms and procedures. We are moving very aggressively in that area.

For example, with respect to OSHA, the Secretary of Labor has announced that we would like to move toward looking only at major safety and health problems, rather than bogging down over minor infractions that really have little safety relationship. [See "Eula Bingham: Will She Take the Nonsense Out of OSHA?" on page 28.]

Dr. Lesher: Most businessmen welcome that. That's a good change.

Mr. Eizenstat: Also, we support legislation that would tell the Civil Aeronautics Board: "Look, you're not promoting private competition when you don't permit airlines to enter and exit routes as freely as they

should. You don't permit the type of free competition in prices and services that other industries enjoy."

We would like that type of regulation gradually removed, permitting greater price and route competition. We think that is good for business and for the consumer.

Dr. Lesher: That word gradually is very important. If an industry is bound by the regulations of any authority over a period of decades, it is difficult to adjust to quick changes, with the accompanying uncertainty and dislocations.

Mr. Eizenstat: I agree. Only today the President held a meeting with a number of senators and congressmen who are working for airline deregulation.

One of the key points the President and others made is that the legislation, as now written in the Senate, has a long phase-in period so that the present type of regulation will be ended on a nondisruptive basis.

Dr. Lesher: What about the recent ruling by the Office of Management and Budget that, where possible, the government should avoid contracting out for federal services? Our studies

"I Never Tell the President Anything Without

IN 1969, long before most of the country had heard of Jimmy Carter, a young Atlanta lawyer was briefing him on issues so he could make up his mind on what stance to take before the voters. Mr. Carter was in the midst of his successful campaign for the governorship of Georgia then.

Today Stuart E. Eizenstat is still briefing Jimmy Carter, but the issues are more complex and their scope is larger.

Although he is only 34, Stu Eizenstat wields tremendous influence over the course of this country's government. His title, assistant to the President for domestic affairs and policy, is not particularly impressive. But when you consider that virtually every scrap of information collected to help Mr. Carter make decisions on domestic issues is fed to Stu Ei-

zenstat so he can give it form for presidential consideration, you have an idea of the Eizenstat clout in the White House.

Mr. Eizenstat is soft-spoken but intense. He gives the impression that he is totally immersed in his job. His typical workweek stretches to almost 80 hours. He will not surrender the time, nor presumably does he have the inclination, to dally on the Washington cocktail circuit.

"My brains"

President Carter calls Stu Eizenstat, with affection, "my brains." Hamilton Jordan, another senior White House aide, sums up Mr. Carter's attitude this way: "If Jimmy had to throw everybody else away and keep one guy, he would keep Stu."

By his own account, Mr. Eizen-

stat performs his role in much the manner of a human computer. He takes information, digests it, and comes up with answers free of bias.

The fact that he is more liberal than his boss, he emphasizes, in no way influences the decision-making options he lays before the President. A case in point is his relationship with Bert Lance, director of the Office of Management and Budget, who is regarded as the resident conservative in the White House hierarchy. Mr. Eizenstat says:

"I suppose that I'm a little bit left of center and that Bert is slightly more conservative. But we seek a common ground. Besides, I never tell the President anything without explaining what it is going to cost."

Although President Carter says

show that, when the federal government contracts out to private business, the government gets a lower cost as well as the flexibility to cut back once goals have been achieved.

Mr. Eizenstat: A study we made showed the contrary, that it would be cheaper to use people who are already employed by the government. We don't intend to increase the Civil Service rolls to accommodate this change. We intend to do it within existing numerical limits.

Also, the change will be made on a selective basis. Some agencies may benefit by contracting out. But other agencies do an enormous amount of contracting out to consultants, and these consultants' studies often do little more than stay on the shelf and earn the consultant companies handsome fees.

We think a lot of that type of work can be done better internally.

Dr. Lesher: If the studies end up on the shelf, they ought not to be done at all.

Mr. Eizenstat: That's right.

Dr. Lesher: It seems to me that a President who has made such a strong commitment to reduction in the size of the government would see

contracting out as a very important tool in that process.

Mr. Eizenstat: Well, again, we think civil servants have enough time to be able to do that sort of thing. It seems to us that civil servants can accommodate a little additional work.

Dr. Lesher: One of the jobs you have is to reach out to all sectors of society and get input before policies are made. Do you really want input, or do you use this process in order to obtain support for administration policies that already have been settled on?

Mr. Eizenstat: We are genuinely interested in telling groups that are concerned with various issues what we have on our platter and in finding out what these groups have to say on these subjects. We hope we will be able to achieve positions that these groups will be able to support.

For example, as you know, we meet frequently with a group that consists of leaders from the Chamber of Commerce of the United States, the Business Roundtable, the National Association of Manufacturers, and—as the issue warrants—trade associations and others that you

bring in. We rely on you heavily to give us advice, and I find such meetings invaluable.

Dr. Lesher: What about the input you receive from federal departments and agencies? Does it come before or after your input from the outside groups?

Mr. Eizenstat: That depends on the issue. Often the input is simultaneous. Often the agency input comes first because we are unaware that the issue should go to the President until an agency has initiated the idea.

I always try, though, to have input from outside before I present an issue to the President.

Dr. Lesher: How much impact do relatively brief meetings with outside groups really have on a White House decision if the issue at hand has been staffed out by, let's say, a major department of government with all its resources?

Mr. Eizenstat: I would not be advising the President properly if I were not able to say: "Mr. President, the business community has the following problems with this, the labor community has the following problems with this."

That's precisely what he is relying

Explaining What It Is Going to Cost

he relies more heavily on the advice of his Cabinet than some recent Presidents did, much of the Cabinet input into White House decisions is funneled through Mr. Eizenstat. Mr. Eizenstat insists that, even though he may disagree with a Cabinet member, he submits to President Carter the official's verbatim comments on a given matter.

Sometimes, if two or more Cabinet members disagree on a position, Stu Eizenstat will mediate the differences so that the course of action presented to Mr. Carter contains virtually no Cabinet disagreement.

Technically, Mr. Eizenstat heads up the Domestic Council, which is due to be eliminated in President Carter's sweeping reorganization of government. That is the same position held by John Ehrlichman

in the Nixon administration, and Stu Eizenstat occupies the same spacious office quarters on the second floor of the White House that Mr. Ehrlichman did. The two men have virtually nothing else in common.

Mr. Eizenstat, son of a shoe wholesaler, grew up in Atlanta, where he was a gangling all-American high school basketball player. He chalked up a brilliant academic record at the University of North Carolina before going on to graduate from Harvard Law School.

Humphrey his hero

Right out of law school he went to work for President Johnson as a researcher and speech writer. In 1968 he joined forces with his political hero, Hubert Humphrey, in Mr. Humphrey's unsuccessful

run for the presidency. A year later, while practicing law in Atlanta, he was attracted to the gubernatorial candidacy of an obscure Georgia state senator—Jimmy Carter. He thought he might want to work for Mr. Carter's election and went to interview the candidate.

"I was impressed," he recalls. "But I was not decided after that first session. He was such an underdog, and I didn't want to invest my time in a candidate, however attractive, if he didn't have a chance."

Mr. Eizenstat couldn't arrive at a decision, so he went back to Jimmy Carter. He explains what happened:

"The second time I came away saying, 'By golly, I don't care if he has a chance or not, I want to work for him.'"

on me to give him. Also, it is worth pointing out that if the agencies have done the job the President wants them to do before a major proposal such as welfare reform or tax reform comes over, those agencies will have gone through their own consulting process with outside sources.

Dr. Leshner: The President has said he is likely to push through more legislation in his first year in office than perhaps any President in this century. With all that quantity, how do you ensure that you will get quality solutions to the complex problems the nation faces?

Mr. Eizenstat: We don't try to measure our accomplishments by quantity. We think we have quality in terms of our proposals.

I think it is important to understand the backdrop in which we are operating. We didn't create the problems we are trying to solve. They have been permitted for one reason or another to fester for a long time. For example, if the energy problem is not acted on quickly, if the public's imagination is not captured, the problem simply will get out of hand.

Take Social Security. Trustee reports show a massive deficit. We have proposed steps to make up the deficit. If that type of report came out and the administration simply said it would take another year to do something about the problem, confidence in our system of government would be completely eroded. That's true in a lot of areas.

We have felt that it was important to show we could tackle these problems aggressively and that we were not going to permit them to drift on month after month, year after year.

Dr. Leshner: Tell us about the administration's objectives in welfare reform.

Mr. Eizenstat: First, we want to do something about the crazy quilt of differences from state to state.

Uniform payments, to be financed partially by the states and partially by the federal government, would be an enormous improvement. For example, Hawaii now pays almost \$7,000 for a family of four in the Aid for Dependent Children program. Mississippi pays about \$1,500.

Also, in our review of the welfare programs, we have found that food stamps, Aid for Dependent Children, Medicaid, and Supplemental Security Income have different eligibility



PHOTO: DENNIS BRACK—BLACK STAR

"I would not be advising the President properly if I were not able to say: 'Mr. President, the business community has the following problems with this, the labor community has the following problems with this.'"

standards. Some people qualify for one, some for another. We would like to build in uniform eligibility standards.

A third thing we would like to do is put people who are on welfare in jobs if they are able to work. We don't want it ever to be more financially beneficial to stay on welfare than to work. In addition, we have devised a formula that will make it more attractive to go into private jobs than to take public jobs.

Another of our goals in the welfare

area is to keep families intact. There is now a disincentive in that regard in many states. Fathers are often encouraged to leave home so their families can get increased benefits.

Dr. Leshner: Let me switch over to the Consumer Protection Agency issue. I don't recall the business community being asked for input on that piece of legislation ahead of time, although there has been a little bit of input since the administration announced it wanted such legislation.

Mr. Eizenstat: This is an issue that we addressed during the campaign—we specifically pledged to create a Consumer Protection Agency. So we were faced with the situation when we came into office of trying to fulfill a pledge, rather than of deciding whether we wanted such an agency. We have met with business groups, among others, to discuss the complexion of the agency, what powers it ought to have, how it ought to operate with respect to interrogatory powers, and the like.

Dr. Leshner: Doesn't it strike you that building a new agency flies in the face of the commitment to reduce the size of government?

Mr. Eizenstat: This agency will be created through the consolidation of 14 different consumer offices in different departments of the government. The number of positions will not increase.

This is really not adding a bureaucracy. It is taking a group of uncoordinated agencies, putting them under one roof, and making sure that they are going in the same direction so that the business community and the public have a clear idea of which way their government is headed.

Dr. Leshner: We are concerned that the legislation calls for an escalation in the budget the first year, the second year, and the third year. We know what happens when you spread the seeds of bureaucracy. On the banks of the Potomac, you get a big forest after a while.

Mr. Eizenstat: There is no reason to think that, if the situation were left as it is with these 14 different offices, they themselves wouldn't increase.

Dr. Leshner: They don't have the power to intervene with litigation in consumer cases, though. On another matter, in presenting issues to the President, are you concerned about your ability to keep from filtering out the persuasive powers of a member of the Cabinet?


Mr. Eizenstat: The President made it clear at the beginning of the administration that he was committed to Cabinet government. He has made that clear to each member of the staff. There are no Ehrlichmans or Haldemans, in a figurative sense, in this White House. We staff members do not try to run the government for the White House.

The last thing any of us would think of doing, and indeed be permitted by the President to do, is to filter out an idea or a proposal by a Cabinet member or to dilute the effectiveness of his argument.

Anytime a Cabinet officer submits a memorandum through me to the President involving any domestic issue, regardless of whether I agree or disagree with it, the President gets that memorandum in its complete form. Obviously, he gets my comments, too, and I call other depart-

ments to see if they want to make any comments.

There have been many instances where I have gone out of my way to schedule a meeting between the President and Cabinet officers whose views differed from mine because I thought it was important that the Cabinet officers not only make their case in writing, but that they have the opportunity to make their case on a face-to-face basis. I would feel I was not doing my job if I didn't do this. □



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What Managers Are Paid If They Are Terminated

What happens when a manager gets a pink slip?

It depends partly on where and for whom he works.

If he is employed by a Tokyo conglomerate, for example, the blow is cushioned by a big wad of cash.

Take Taro Tanaka, a \$45,000-a-year man with one such company. If fired, he could expect \$112,500 as a going-away present.

"A Japanese manager in his wage bracket typically gets 250 percent of his year's salary," Towers, Perrin, Forster & Crosby, New York-based management consultants, say.

The consulting firm studied what it calls executive termination payments and found their size varies greatly, depending on the country.

Here are typical payments, expressed as a percentage of executives' annual cash income at two levels, in the U. S. and 13 other countries. Note that in some cases the percentage is higher at the higher income level and that in one case it is lower.

Country	Payment if income is \$45,000	Payment if income is \$20,000
Belgium	300%	200%
Italy	280%	190%
Spain	250%	250%
Japan	250%	200%
Venezuela	135%	135%
Mexico	105%	107%
W. Germany	100%	50%
Britain	100%	50%
Brazil	90%	90%
France	80%	80%
Netherlands	50%	50%
Sweden	50%	50%
U. S.	50%	33%
Canada	35%	35%

"Many multinational companies do not realize the magnitude of their contingent liability for these types of payments and have not formally provided for them," John F. Abel, vice president of international consulting, told NATION's BUSINESS.

Consultants—and Where to Find Them

Washington, D. C., which some say needs all the help it can get, has

more than 40 management consulting firms.

That's fewer than you'll find in New York or Chicago, but more than either Los Angeles or San Francisco has.

Firms in those cities by the score are in the 250-page "Directory of Management Consultants" (\$37.50), published by "Consultants News," Fitzwilliam, N. H.

The book lists more than 425 U. S. firms, ranging from giants like Booz, Allen & Hamilton, Inc., to one-man shops.

Alphabetically they run from Advanced Management Associates, Inc., Chestnut Hill, Mass., to Zeyher Associates, Jenkintown, Pa. Geographically they extend from Hawaii to the Virgin Islands.

The directory lists firms alphabetically. It also gives annual revenue, staff size, special competence, professional affiliation, date founded, areas served, and person to contact.

In addition, firms are cross-indexed by location, industries served, and services offered.

Consulting is an industry with many small firms, often highly specialized. For example, Washington Nichibei Consultants, Ltd., Washington, D. C., deals with U. S.-Japan technology transfer, among other services. Anthracite mining is one of the strong suits of F. R. Schwab & Associates, Inc., New York, and a few other firms.

In this industry, finding the right peg for the right hole isn't always easy. The directory is a great help.

Buying and Selling Puts and Calls

"It's simple to make money buying or selling options," one veteran trader says, tongue in cheek. "All you have to know are three things:

"Which way a stock is moving, up or down.

"How far it will travel.

"How long the stock will take to get there."

Indeed, proper assessments of direction, distance, and timing are es-

sential to successful option trading, as Kenneth B. Platnick explains in his book, "The Option Game" (\$5.95, published by CommuniConcepts, Inc., New York).

Call options have been traded on the Chicago Board Options Exchange since 1973. They are traded also on the American, Midwest, Pacific, and Philadelphia stock exchanges. Trading in put options as well began on all five exchanges in June.

A put is the right to sell 100 shares of stock at a fixed price for a given period—say, three, six, or nine months. To buy that right may cost five or more percent of the stock's current market value.

For example, the right to sell 100 shares of IBM at \$260 a share until October, 1977, may cost \$1,300.

The buyer believes the market value of the stock will go down, say, to \$240 a share. If so, his option to sell 100 shares at \$260 each will rise in value, and he can pocket the profit.

A call is the right to buy 100 shares of stock at a fixed price for a given period. If the price of the stock rises, so does the value of the call.

Options are a "lower-priced way of participating in the movement of common stock without buying the stock itself," Mr. Platnick explains.

An option can be a conservative hedge or pure speculation. Either involves the possibility of profit and the risk of loss.

Understanding the option market reduces risk and improves the chance of profit. Some good sources of information, in addition to "The Option Game," are:

- "The Dow Jones-Irwin Guide to Put and Call Options" (\$11.95), published by Dow Jones-Irwin, Homewood, Ill.

- "The Stockbroker's Guide to Put and Call Option Strategies" (\$7.95), published by the New York Institute of Finance, New York.

- "Introducing Puts" and "Spreading Strategies," published by the American Stock Exchange, Inc., New York. Both are obtainable free from most brokers.

• The prospectus of The Options Clearing Corp., a company owned by the five exchanges on which options are traded, and "Understanding Options," published by the Chicago Board Options Exchange. Both are free from most brokers or from the Chicago Board Options Exchange.

Finding Your Way Around Washington

If you do business with the government in Washington, one of the handiest things to know is the right telephone number.

More than 250,000 federal employees in the Washington area have jobs big enough to rate a listed phone.

"But their names, titles, locations, and telephone numbers are not readily available to the public," James Marsh, president of The Washington Monitor, Inc., says.

"In fact, federal employees at times have difficulty finding one another."

Federal agencies do not hand out their phone directories freely. The "United States Government Manual," official handbook of the federal government, does not list individual phone numbers. It gives an information or switchboard number for the department or agency.

Attorney General Griffin B. Bell's number is (202) 739-2001. But you can't get it merely by calling the Justice Department number listed in the manual and requesting Mr. Bell's number.

The operator does not reply: "739-2001." Instead, she is likely to inquire into the nature of your business.

Secretary of Labor Ray Marshall's number is (202) 523-8271. The number of Administrator Douglas M. Costle of the Environmental Protection Agency is (202) 755-2700.

None of these numbers is listed in the government manual, but all can be found in the "Federal Yellow Book." It gives the name, title, and phone number of 25,000 Washington area employees whose help you are most likely to seek.

Price for the loose-leaf directory, published by The Washington Monitor, Inc., is \$95. A companion "Congressional Yellow Book," listing the numbers of 5,000 key congressional aides and congressmen, is \$60. Both are updated frequently during the year. □

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LESSONS OF LEADERSHIP

Profiting From the Revolution in Technology

George E. Mueller moved from a top job in the space program to head a company struggling for survival on the frontiers of science. This is his success story—and his forecast of radical changes that technology will bring in the future

"IT DOESN'T really matter whether it is a \$30 billion program or a \$30 million program. You still have people to deal with, to motivate, and to get working as a team toward an objective."

George E. Mueller speaks softly when he talks about his management philosophy, but his decisions have packed a wallop.

He directed the nation's manned space flight program as associate administrator of the National Aeronautics and Space Administration from the beginning of the Gemini flights in 1963 to the second Apollo moon landing in 1969. Later he took over System Development Corp., a onetime think tank struggling for a foothold in the commercial world.

NATION'S BUSINESS • AUGUST 1977

Under his leadership the corporation went from annual revenues of \$45 million to \$125 million in five years.

Key decisions

One of the best decisions he thinks he made in the manned space flight program was to go to "all-up testing," in which not only were components tested one by one, but all were tested together to see if everything meshed.

One of the most crucial decisions he thinks he has made for his company was to cut executive salaries 20 percent and install an incentive plan which would more than make up for the cut if managers became more profit-motivated.

At 58, Dr. Mueller is one of a handful of people who have grown up with the electronics industry and had a significant part in this century's pell-mell rush into the age of technology.

He was involved in early television, helped to midwife radar, and was responsible for the design, development, and testing of components and systems in the Atlas, Titan, Minuteman, and Thor ballistic missile programs.

As a government official prior to the manned space flight program, he directed the first successful space probe with Pioneer 1, and he helped establish the Air Force SPAN satellite tracking network.

Scientist turned manager

His first love was pure science, but most of his life has been spent as a hardheaded administrator.

Now, as chairman of System Development Corp., he heads a 4,000-employee enterprise based in Santa Monica, Calif., but doing business around the world.

A closely held corporation, it will go public one of these days, he says, "whenever the stock market appears to believe that new issues of companies like this are very valuable for investors."

The firm designs data processing

NATION'S BUSINESS • AUGUST 1977

systems for newspapers, financial institutions, industrial firms, and public safety officials. It also provides a host of computerized information services for scores of customers, including its No. 1 customer, the federal government.

Need for "think time"

Dr. Mueller usually has about ten projects going at once, but manages to keep an almost spotless desk. He keeps a computer terminal in his home, writes notes to himself, and keeps a steady stream of memos going to his secretary, beginning in the morning, when he usually brings in a handful of ideas he has jotted down at home.

George Mueller has a quiet "think time" from 10 p.m. to midnight, nearly every night.

He relaxes by scuba diving, skiing, sailing, and working in a home workshop. He spends a great deal of time reading, usually while traveling. His favorite subjects are science, of course, and some science fiction.

Dr. Mueller obtained a bachelor's degree in electrical engineering at the University of Missouri at Rolla, a master's at Purdue University, and a doctorate in physics at Ohio State. He has taught electrical engineering, and he has worked for a number of companies—he was senior vice president for General Dynamics Corp. when he decided to come to System Development Corp. in 1971.

In this interview with NATION'S BUSINESS, he talks about his career and his company.

What is the major difference between running a manned space program and a commercial business?

Perhaps the most significant difference is that in government you report to many authorities—to Congress; the executive branch, particularly the Office of Management and Budget; and your own agency.

In business you have a board of directors and shareholders. Therefore, in business it is easier to make

decisions and do things than it is in government.

Are challenges similar?

One thing made it relatively easy for the manned space flight program to reach its goal. That was the fact that President Kennedy set a specific target date for getting men to the moon. We overlaid on that a specific number of dollars. So we had a clearly defined goal, with a clearly defined amount of dollars to accomplish it.

In industry, or at least in our industry, the challenges aren't as clear-cut. Our industry changes so rapidly that you have to reevaluate targets almost every six months to be sure you are headed in the right direction.

So, in a real sense, it is a greater challenge to make the right decisions in business than it was in the manned space program.

Which allows the greatest margin for managerial error? A vast government project, such as the space program, or a business?

There is a much more direct relationship between making a poor management decision in business than in government.

In private industry, if you overrun a major fixed-price program by a factor of four, you would almost certainly use up your net worth and go bankrupt. In government, if you overrun a program by a factor of four, you simply go back for more money.

How did you gravitate from pure science to administration?

I really got into administration by default. Electron emission phenomena and electromagnetic theory are as far removed from administration as you can get, and those were the areas I was involved with in my early career, when I was at Bell Telephone Laboratories.

I worked on the ballistic missile

program as a consultant for Ramo-Wooldridge, Inc., in Los Angeles in the program's early days and continued to consult after I had gone back to Ohio State to teach. Then my bosses at Ramo-Wooldridge asked me to come back. Eventually, I decided to do this, since it was more fun than almost anything else in that time of starting up on the ballistic missiles.

I arrived back on the scene one Monday, and two weeks later my two bosses said: "You know, we have decided to move out and start our own company. We would like you to take over running the division here." Two weeks later I was running the electronics engineering division at Ramo-Wooldridge.

Then we started working on the first Air Force satellite, and I found myself running that division, too. That's how I got into administration.

When you first came to System Development Corp., it is said, you cut everybody's salary 20 percent.

I didn't cut everybody's salary. You need a bit of background on this.

The company had gone from almost \$100 million in sales two years before to about \$45 million at the time I took over. We had gone from a profit of about \$1 million a month to essentially a break-even point. The company was likely to go broke. Managers were not really profit-motivated. You have to be, if you are going to have a successful company.

The quickest way I could think of to cause management to worry about profits was to cut the salaries of about 50 top executives but then extend incentives which would allow the executives to more than make up for the cuts.

The move turned out to be quite constructive, I think. We were able to do some profitable things in the next year. By and large, everyone ended up making more than he had made before.

You took over a company which was not profit-oriented. Did you have a preconceived plan of where you wanted to go and how to get there?

In general terms, yes. One of the first things was to assemble a group of the brightest people we could find in the organization to do long-range planning. Parallel with that, we did some things that had to be done immediately, such as straightening out



Dr. George E. Mueller, chairman of System Development Corp., relaxes, among other ways, by putting in a home workshop. Not far away is a device a bit more in keeping with a space-age scientist—a computer terminal. It is connected to his office.

the accounting system and providing some management training.

We took a five-year plan that this group developed, decided which parts made sense and which didn't, and proceeded to reorganize the company to start meeting those objectives. Looking back, I think we have accomplished every goal.

We wanted to become a prime contractor and have done so. We also wanted to develop and market some commercial products. We are doing this today.

You put that five-year plan into effect in 1972. Do you have a new five-year plan now?

Actually, we make a new five-year forecast every year. So we have an annual update of our long-range plan.

You have said that American technological development has slowed. Why is this?

The reason lies in some basic social pressures. Once we landed on the moon, the whole population seemed to say: "Man, that is a great scientific achievement, but we have done everything now."

I guess there is a subconscious feeling that we have done all we really need to do.

Whatever the reason, Washington has backed off very considerably from investment in research and development. The result is that we aren't developing the technological base needed to permit us to lead the world in new technology.

Many people contend technology has created as many problems as it has solved.

I know that feeling exists. It was brought to a focus by the environmental groups saying: "You are destroying the world in which we live."

Some people fail to recognize it

basic fact. That is, if we are to continue to increase our standard of living, we must find the resources to support it.

You can't find these new resources without continuing technological advances.

Is there to be a new frontier for technology or just a consolidation of what we have?

We are in a completely new era of technology. I don't think the full impact of the microprocessors now available in large-scale integrated circuits is beginning to be understood even by industry, much less the public.

I think we are on the threshold of completely changing our way of life. Whether this is good or bad, I don't know.

For example, take those little electronic games you can now play on your TV set—you can use the same technology to provide home instruction for your children. We are just beginning to understand the full implications, in terms of how we live, of the computer's entry into the home.

I don't think the impact of technology is going to be diminished. My concern is that we aren't doing the basic and applied research to take full advantage of this next revolution.

What is going to take the place of the solid-state circuit developments, which are now 30 years old?

How will this revolution affect us most?

I would guess the full implication is the eventual elimination, in many instances, of the need to go to work. You could work just as effectively in your own home. That should solve a fair amount of the transportation problem.

Except when you wanted to meet people face-to-face, you wouldn't have to go anywhere. You wouldn't have to attend college classes. You could do all of your classwork at home and could progress at whatever rate you wished. You would have to pass certain tests, of course, to demonstrate what you had learned.

What about technology's ability to solve pollution problems? Nuclear waste, for instance.

In my opinion, the nuclear waste problem is greatly exaggerated. One difficulty is that people get emotional

over the issue and cease to look at the facts.

The facts are that we can effectively process nuclear waste products and effectively contain them. Many of these waste products are short-lived isotopes. The long-lived isotopes are so small a fraction of the total waste that you could put them on a rocket and fire them into the sun, if you liked. It would just contribute slightly to the fusion processes going on in the sun now. So it would be absolutely no problem.

It is expensive to shoot things into the sun, but not expensive in terms of what it costs us not to have nuclear power.

Didn't the space shots give solar energy a big boost because of the solar energy panels on our spacecraft?

Right.

Can you see, at some future date, giant panels in the sky providing energy for us?

There has already been a great deal of looking into that. The best analyses I have seen indicate we would be better off using sunlight to grow plants here on the earth and processing the plants to get alcohol

or some other fuel from them. The economics are greatly in favor of using the sun that way instead of trying to capture the sun's energy and beam it down to the earth in some fashion.

You have said the computer will, in the future, be much different.

There is no question about that. Special purpose computers are going to take the place of the general-purpose, large central processors in most applications. You don't need one of those large crunchers capable of analyzing and processing nuclear phenomena for most of the tasks computers do today.

Will we ever have a computer that will accept verbal instructions?

Oh, yes. In fact, here at System Development Corp. we have developed a system that has some 1,000 words of vocabulary. We can see the development of machines that would not be too large or expensive to provide true voice input. Voice output is relatively easy to do with a computer.

It really is just a question of spending the research and development money necessary to accomplish this. One of the economies that



Building things comes naturally to Dr. Mueller, whether the thing is a sophisticated weapons system or a system that puts man on the moon. The tools on the wall belonged to Dr. Mueller's grandfather, who built the barrel on which he is sitting.

the government has made is to reduce its support of research in the voice input area.

What would be the ultimate aim? Just to carry on a conversation with the computer?

What you ought to be able to do is carry on a rather consistent discussion with the computer to get the results you would like. If you are willing to type out the questions, you can query computers in free-form fashion now, to a large extent.

However, voice input and voice output would be a tremendous step forward. I am not too bad at typing, but I get tired of having to type questions in and watching the answers typed back.

Someone has described System Development Corp. as a software factory. Is that a good description?

You might call the company that, at least the part of it that is devoted to building and merchandising computer software programs. We are trying to use the basic technology we have developed in data-base management systems for that purpose.

One application is a newspaper editing system. Our search service is another application. It increases your effectiveness in carrying out bibliographic searches of one sort or another.

Claims administration service is another example of taking our basic knowledge and packaging it in a software program that hospitals, insurance companies, and other organizations that administer health-care claims can use.

How much of your business is government and how much commercial?

Roughly 60 percent government, 40 percent commercial. In the next year or so it will be about half and half. Five years ago our business was 95 percent government and five percent commercial.

What kind of manager are you?

One who believes in organizational changes to fit changing needs. When I first came here, we didn't have too centralized an operation. So we centralized it and placed very stringent controls on all activities.

This lasted about two years; then I began to decentralize. Now we operate essentially in four independent divisions, or units—government systems, commercial business, field



System Development's chief likes to keep tabs on what's going on in the company's sprawling plant in Santa Monica, Calif. The company, once almost exclusively a government contractor, has jumped into commercial business on a worldwide basis.

services, and energy. We also have a fifth area, international operations, and a separate research and development division which reports directly to me.

It is a great mistake to believe that, once you have an organization that works, you have to stick to it forever. No organization works that effectively over a long period. At least this is true of an industry as subject to change as ours.

Then you're apt to change your four-division structure at any time?

Whenever there is a need to do so.

After college, your first job was with Bell Laboratories?

Yes. I went to work for the television research group at Bell in 1940. It was working on a picture telephone. Then the war broke out, and we got involved in radar. I got to work on the first of the airborne radars built in this country.

After that I went to another division and worked on microwave circuitry.

I was working at Bell Laboratories when integrated circuits—transistors and that sort of thing—were invented. I had a ball there. It was fun.

Was the moon program fun?

Not in that sense. The pressure was too great. Every moment was devoted to getting that last little detail in line. The challenge was the greatest, though.

Were there ever moments of doubt about the program's success?

No. It was something that could be done, and we were going to do it. There were some problems, believe me. But even during the worst disaster—the Apollo fire—I never had any doubt that we would succeed.

You were dealing with some rather strong-willed people. How much of a challenge was it to blend egos together?

A big challenge. But you have that in business, too. One of an executive's challenges is to blend egos, goals, and aspirations to reach an objective.

Have you made any decisions, good or bad, which stand out in your mind?

A couple. I think one of the best was the decision to go to all-up testing for the space program. In this company, I think the decision to cut executive salaries and install an incentive program was good for that time.

There was quite a bit of flak about

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that all-up testing decision, wasn't there?

Oh, yes. We had a lot of flak about some other things, too. Such as not building a rescue ship to be ready to launch in case of emergency. Then there was the medical question: Could we really fly men for long periods of time in space?

You never really gave the space crews suicide pills, did you?

Never did.

As a scientist, do you find today as exciting as yesterday, when there were all of those worlds to conquer?

If anything, the excitement is greater. We have all of this knowledge we didn't have 30 years ago. We are just beginning to understand something about body chemistry, biophysics, and biomedicine. As a result, we are on the threshold of doing some very constructive things with life, both in terms of a longer life span and of physical well-being during that extended time.

We also have instrumentation that allows us to understand more about the universe than ever before.

With our ability to build large space structures, we are also in a position to begin controlling the weather.

When I was at NASA, I had a study performed on a large mirror in space. With it, you could concentrate enough of the sun's energy to impact on the temperature of the upper and lower atmospheres. This permits you to influence the motions of the air. One application is to control the path of hurricanes and guide them offshore.

There is no end to the exciting things that we can do today.

What do you need in order to do them?

Consistent support from the public.

To get that, do American scientists need a glamorous effort, such as a new moon program?

Right. I tried hard to get us to go to Mars, but I didn't succeed.

You are pretty enthusiastic about technology?

I am enthusiastic about the world.

REPRINTS available. See page 61.

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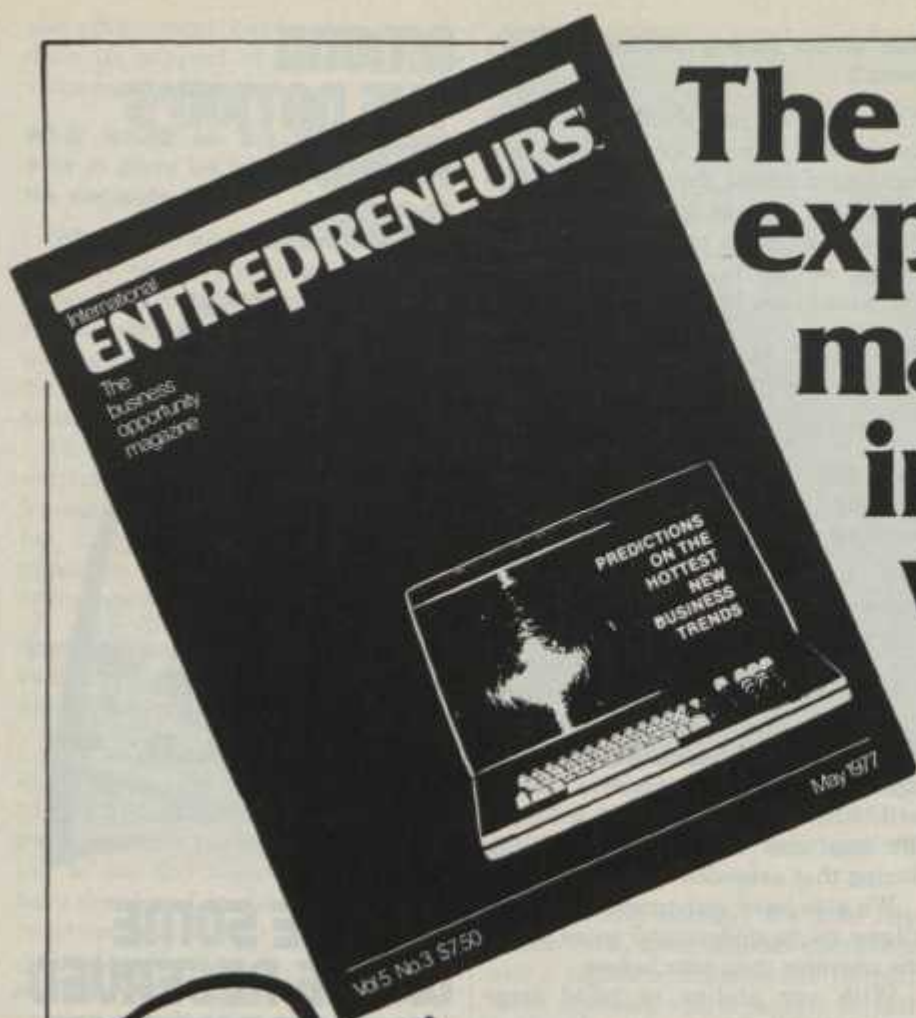
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Private Enterprise vs. Eastern Europe

Free economies of Western countries are outrunning communist economies. One reason, the experts say, is that planned societies do not have the flexibility needed to keep up with technological progress and rising consumer expectations

THE ECONOMIES of the United States and the communist bloc nations of Eastern Europe are like two runners going around a track.

One has a widening lead. He runs with more efficiency, consistency, and style. His stride is more powerful and rhythmic. The other racer runs well some of the time, but mostly he moves laboriously, with little cadence. He wheezes and breaks his stride.

The front-runner is the U. S. economy. The other runner is the combined economies of the Soviet Union, Poland, East Germany, Czechoslovakia, Hungary, Bulgaria, and Romania.

Centralized planning fails

While the U. S. economy has long looked good in comparison with Eastern European economies, the difference has been particularly pronounced in the past five years. This is true despite the ill effects on the U. S. of the 1974-75 business downturn.

"Planned economies of the Eastern European states have failed to



Western companies, some of them American, have set up large facilities in Poland to help increase consumer goods production. The Fiat auto factory at Bielsko produces at a much slower pace than such plants in the West.

cope with technological progress and growing consumer expectations," says Dimitri K. Simes, director of Soviet policy studies at Georgetown University's Center for Strategic and International Studies.

"Highly centralized bureaucratic planning, subject to political influences from the Communist Party apparatus, is incapable of providing the degree of flexibility vital for advanced industrial societies."

The poor economic situations throughout the Soviet bloc are described this way by an economist at a major U. S. bank which has made loans to bloc governments:

"This is a classic example of strictly planned economies not being able to produce as much, or provide as well, for the populace as a free-market economy can. In short, communist societies in Eastern Europe are not doing well these days."

The economist discussed the situation only on condition that neither his name nor his bank's be used.

U. S. firms affected

Problems behind the Iron Curtain can have immense implications for U. S. companies, many of which have seen projects in Eastern Europe can-

celed or postponed because communist economies cannot afford them.

Eastern European economic affairs command more attention in the West than they did before increases in East-West trade in the early 1970's. Western economists are now better able to judge plus and minus factors because they have access to more information.

A major reason for this access is that private Western banks, the World Bank, the International Monetary Fund, and the U. S. Export-Import Bank demand reliable statistics before they will make loans in the East.

The magnitude of these loans is one of several indicators that communist economies are slipping into trouble and too often fail to generate enough funds to produce the technology, machinery, and worker training which are needed to keep pace with the free-market West.

So far, Western lenders are not as leery of loan applications from Eastern European nations as they would be of one from another communist country, North Korea. The North Koreans have defaulted on \$1 billion in loans, with Russian branch banks in London and Paris, ironically, being

big losers. Eastern European nations are still considered fair risks, although they are not as highly rated as they were two years ago.

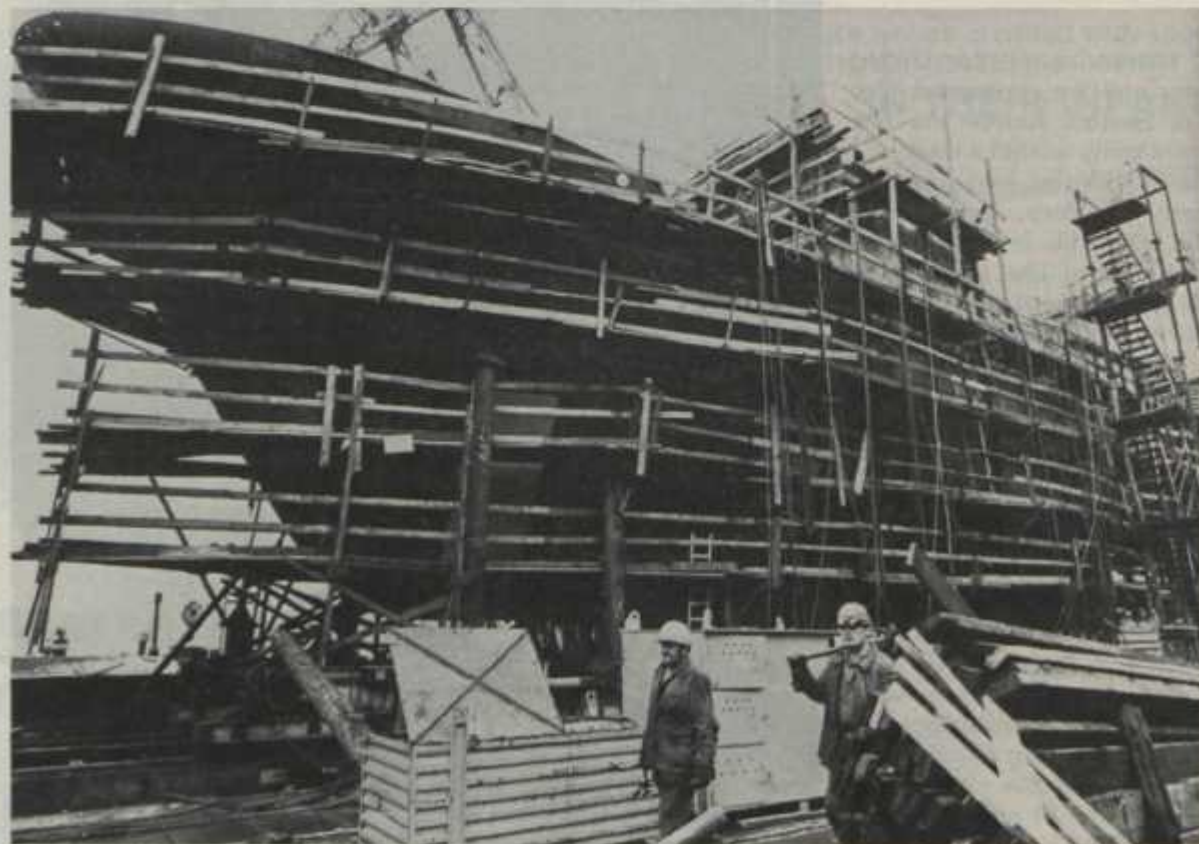
The safest risks

The Soviet Union and Hungary are considered by American bankers to be the safest risks, while East Germany and Poland are now considered overextended in their debts to Western financial institutions.

Between 1973 and 1976, Poland increased its Western debts from \$2.5 billion to nearly \$11 billion. East Germany went from \$2.8 billion to an estimated \$6 billion. The Soviet Union, with a far larger economy and population, increased Western debts in the same period from \$4 billion to an estimated \$16 billion. Hungary, a smaller country than any of the others, increased its Western debts from \$2 billion to \$3.3 billion.

Lawrence J. Brainard, a vice president of Bankers Trust Co., New York, compiled the 1973 figures while serving in the international economics department of Chase Manhattan Bank. The 1976 totals are estimates arrived at by several bank economists.

In all, the communist nations of



Polish industrial productivity rates are among the world's lowest, and some of the reasons can be seen on the Baltic Sea waterfront at Gdansk. Antiquated construction methods and equipment are used in shipbuilding by unenthusiastic workers. Meanwhile, government debts continue to mount.

Eastern Europe owed more than \$47 billion to Western institutions last year, up from \$17 billion in 1973.

Czechoslovakia ran its Western debts up from slightly below \$1 billion to slightly above \$2 billion in the 1973-76 period; Bulgaria, from \$1.5 billion to nearly \$3 billion; and Romania, from \$2.1 billion to nearly \$3 billion. Individual banks inside the Soviet bloc collectively increased debts from \$1.8 billion to \$3.5 billion.

Yugoslavia: more flexible

Another European communist nation with sizable debts in the West—totaling \$6 billion—is Yugoslavia, but the Yugoslav economy is considered in better shape than those of any Eastern European countries. Yugoslavia, which is not part of the Soviet bloc—Belgrade broke with Moscow in 1948 and reaffirmed the break in 1955—is the least doctrinaire of communist nations and permits a substantial degree of free market activities. The Yugoslavs trade primarily with Western nations, including the U.S.

Dr. Donald W. Green, who recently shifted from the Wharton Econometric Forecasting Associates at the University of Pennsylvania to Chase Manhattan Bank, is a constant watcher of communist economic affairs. The Yugoslavs, he says, "have a great deal of flexibility and free market activities in terms of production, exports, marketing, and crop growing. The Yugoslavs are operating very successfully."

Dr. Green points out that, during recent efforts to improve the Yugoslav balance of payments, communist leaders in Belgrade discussed the teachings of Milton Friedman, the conservative economist at the University of Chicago.

Common communist problems

Experts at American universities, the Library of Congress, the State Department, research organizations, and major banks and other companies have outlined for NATION'S BUSINESS the outstanding problems that retard economic development in the Eastern European bloc.

The experts generally agree that:

- Industrial productivity in the bloc is poor due to low-grade management and don't-give-a-damn attitudes of workers. Absenteeism is high. Brownouts, meatless days, and coal and sugar rationing are among

factors contributing to low morale among the workers.

- Communist societies are deficient in stimulating technological advances. For example, the best Soviet computer is inferior to American computers of 1962.

- Weather in the northern tier of communist nations is bad for farming during an average of two out of every five years. Last year was excellent for feed grains but poor for other crops.

- Generally, state and other collective farms in the Eastern bloc have poor records. Bad weather is blamed for bad harvests, but this tells only half the story. Inefficiency is the other half. Small farm plots owned by the people who work them consistently outproduce state farms by five and six to one.

In 1975 the Soviets bought feed grains in the West after a disastrous harvest which yielded only 140 million metric tons when more than 200 million tons were expected. But the Soviets did not buy enough, and 20 percent of all Soviet hogs—14 million of them—had to be slaughtered because there was a lack of feed. Soviet planners refused to admit they had miscalculated until a year later, when a bumper harvest of 224 million metric tons was produced.

- Communist governments have traditionally covered shortcomings with economic lies or half-lies. Some younger economists in the bloc admit that they often do not know what to believe.

- To keep people working and prices down—and therefore divert people from revolutionary thinking—communist leaders often overreact to economic problems. They throw on the brakes too hard or they pour on the coal too fast, creating stop-and-go performances.

- Soviet bloc countries spend unnecessarily large proportions of national income on armaments, diverting funds that could be better used to build economic infrastructures. Military leaders usually get most of their orders for war-making equipment filled because political leaders must have military backing to stay in power.

- The Soviet Union, currently the world's largest producer and third largest exporter of oil, no longer sells oil and natural gas to satellite nations at bargain prices as it once did. Satellites now must pay prices very close to those on the world market and are



Yugoslavia broke with the Soviets nearly 30 years ago, and private enterprise is permitted in many commercial endeavors. Belgrade shops sell Western goods extensively.

required to pay in scarce hard currency. Also, the Soviets have reduced the share of their oil and gas made available to the satellites as more of the supply has been sold to Western nations.

- Workings of communist procurement and transportation systems are generally so irregular that, for example, machinery is rarely delivered at the right time.

- Economies in the Soviet bloc are suffering now from the after-effects of the 1974-75 recession in the West. The recession caused Western nations to reduce imports from the bloc.

- Communists specialize in five-year plans—the figure five was selected back in Lenin's time. National planning that far ahead has proved a mistake, yet communists still try.

On top of such problems that are shared by some or all bloc nations, each nation has its own particular problems.

Soviet Union

In the Soviet Union, the top leadership is made up of men in their late 60's and 70's. Michel Gordey, a

highly regarded roving correspondent for the Paris weekly "L'Express," says that these leaders "have absolutely run out of ideas; they have no imagination." In fact, he says, the Kremlin leadership has not had "a new or constructive thought" since Nikita Khrushchev was deposed as prime minister and Communist Party first secretary in 1964.

The Soviet Union manages to maintain a reasonable balance of payments largely because of its oil and gas and because it mines and exports \$1.5 billion in gold each year and sells abroad another \$1.5 billion worth of military equipment. Without this \$3 billion, the Soviets would not be anything like as good a credit risk.

Last year the Soviet Union had its poorest economic growth rate in 25 years. John P. Hardt, senior specialist in Soviet economics at the Library of Congress, says: "A long-term trend in economic growth retardation is likely to continue and worsen."

Soviet agriculture is so inefficient that feed grains from Australia, Canada, and the U. S. can be imported more cheaply than they can be grown in the U. S. S. R. Annual grain imports in excess of ten million metric tons are expected for many years to come.

The Soviets are notoriously poor at offshore oil drilling, and they must import technology and equipment from the West. An overall Soviet lack of technical proficiency is emphasized by the fact that the world's only major nuclear blowout was suffered by the Soviets.

One unavoidable problem is that new and large sources of raw materials, including ores, oil, and natural gas, are located in Siberia, far from Western Europe, Japan, and the U. S., where the materials could be bartered for high technology and goods.

Poland

In Poland, the working class discovered during two rounds of rioting in the past seven years that it had the power to topple governments and force communist bosses to alter economic policies. Leaders of other communist nations fear their own working classes will eventually try to do the same.

Dr. Penelope Hartland-Thunberg, economic research director for The Center for Strategic and Interna-



All Russian towns and cities have markets where farmers are permitted to sell fruits and vegetables grown on their private plots. Production per acre on these plots far outstrips production on state and collective farms.

tional Studies, says: "The claim of the centrally controlled economies of Eastern Europe that they have solved the problems of unemployment which plague industrial democracies had a somewhat hollow ring when one observed employed workers in Poland revolt against what they correctly perceived as their government's attempt to lower further their standard of living."

"Similarly, the claim of these countries to having solved problems of growth and the business cycle are not persuasive when one notes the wave of borrowing by these countries from the industrial democracies in order to finance imports of Western technology. All regimes in Eastern Europe unequivocally state these imports are essential to reverse the decline in their own growth rates."

Because of Polish rioting, prices came down, work conditions eased, Communist Party interference slowed in the countryside, and farm acreage in private hands was increased.

Despite improvements in farm yields expected this year, Poland will buy at least \$1.5 billion worth of Western grain. Three poor growing years in a row necessitate this purchase. This can only add to the political and economic problems of party chief Edward Gierk.

East Germany

A big problem in East Germany is West German television. Millions of

East Germans tune in and see the good things they are missing. They are known to compare their drab lives with the opulence of West Germany. In 1961 the communists in East Germany put up the Berlin Wall, and that stopped most flight to the West. But the wall does not turn back broadcasts from the West.

While some East German industries are in efficient hands, agricultural affairs are in a sorry state. The collective farms which predominate have little appeal to Germans, and workers will not go all out to make them produce. Small farms occupy between 15 and 20 percent of East Germany's agricultural land. They are frowned on by authorities.

East Germany suffers from severe shortages of natural resources, including energy materials.

For these and other reasons, national income increased less than four percent last year—far below projections.

West German banks have made huge loans to East Germany. Economists in the West say credit lines are now stretched so far that East Germany will have difficulty raising more money.

Czechoslovakia

Chase Manhattan's Dr. Green has made special studies of the Czechoslovak economy, and he says: "The prognosis is not very good. It is a case of an economy which is poorly

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Since the 1968 Czech political upheavals, there have been continued unrest and little flexibility in the attitudes of communist bosses. The Czechs are among Central Europe's most talented industrial workers, yet the nation's industrial output is inadequate. Prior to World War II, Czechoslovakia was a major exporter in many categories. There is a potential for a robust revival, but such a revival is not in sight.

Hungary

The consensus is that Hungary is getting along better than any other Soviet satellite, although the Hungarian economic performance in 1976 was a mild disappointment to the Budapest government. The trade deficit—once quite high—is being reduced with hard-nosed cutbacks of imports from the West. By communist standards, there is relatively good central management in Budapest. A strong central bank commands good credit ratings in the West.

Hungary's government has been decentralized to some degree, and Communist Party influence is down enough to hearten the people. After the 1956 Hungarian Revolution, plant managers were given more autonomy. With a whiff of freedom, managers turned small enterprises into large enterprises which can take advantage of economies of scale in purchasing and transportation. Some Hungarian industrial organizations independently decide what to make, how to sell it, and to whom to sell.

Something of the same flexibility exists in Hungarian agriculture. It is collectivized, yet it operates more like private farming than collectives in other communist lands. There is local authority. Production is higher than elsewhere in Eastern Europe, and food is exported.

Bulgaria

Bulgaria is poor and underdeveloped. Therefore, the country's annual economic growth rate of seven percent in recent years is not as meaningful as Bulgarians would have Westerners believe. The improvement is on a small base.

Despite this growth, such as it is, Bulgaria's ratio of debt to hard currency exports indicates that the country may be facing difficulties in future borrowing in the West.

Like Hungary and Romania, Bulgaria is in the southern tier of communist nations, and the weather has been much better there than in the northern tier.

Agriculture has performed better, and processed food is a money-maker for Bulgaria abroad.

Romania

Romania has a strict communist economy. There is centralized planning, and all major directives come through party headquarters in Bucharest.

And yet Romania is getting along better economically than most communist nations. The reasons include good planning by Romanian economists, encouragement of Western investment, and lucrative tourism on Romania's Black Sea coast. The Romanians have been helped by Western lines of credit, especially from France.

Fortunately for Romania's economy, if not for many of its people, the severe earthquake which hit the country last winter did not topple many business structures. The majority of the damage was in residential areas.

Future interdependence

The overall flow of agricultural and industrial products, raw materials, energy, and money between the communist East and capitalistic West has increased several times over in the past ten years, and indications are that the flow will increase further. This makes for interdependence.

What will this added interdependence mean politically in the communist bloc?

The economist-banker who cannot permit the use of his name or that of his bank says:

"As the Eastern bloc nations go down the road to increased interdependence with the West, they will be changed by it. The nature of their systems will be changed. I am not talking about miracles, but I am saying that to the extent that they become dependent on Western markets, money, and technology, their freedom of action will be changed in other areas, including the political area."

Perhaps—just perhaps—the increase in business relations will overcome hidebound communist opposition to private ownership and free economies. □

Getting Economic Basics Across to Children

American schoolchildren should be taught the basics of the free enterprise system beginning in kindergarten and continuing each grade thereafter.

That is the philosophy of George H. Baird, and he has put it into practice. He is responsible for reaching millions of youngsters with instruction in economics.

About 20 years ago Dr. Baird decided there were serious shortcomings in the American educational system. He set out to improve the system.

Dr. Baird, a former high school teacher and school superintendent, was convinced that one of the problems with American education was not how much money was available, but how the money was being spent. He felt that taxpayers were getting short shrift.

"I was also concerned that we were not really teaching the American enterprise system," he told NATION'S BUSINESS.

40 percent of students

Today the Educational Research Council of America, which he helped found, provides educational material used by more than 40 percent of the nation's primary and secondary school population.

The council, a nonprofit organization, is supported entirely by contributions from business, foundations, and individuals and from the sale of its products. Not a penny of its money comes from governmental sources.

More than 100 full-time educational and technical specialists are employed by the council to develop and test classroom products at the organization's headquarters in Cleveland. The council works closely with educators around the country in the development of educational tools. All products are first tested in a number of schools before they are placed in general distribution.

A growing number of other organizations are equally concerned with the economic education of youngsters. For example, the Chamber of Commerce of the United States is marketing a school kit called "Eco-



Mrs. Lucille McCraith Occhi, research associate at the Educational Research Council of America, introduces a new teaching film to fifth grade students.

nomics for Young Americans" which has been widely heralded in educational circles. The kit is now used in many secondary schools. It is designed to encourage greater interest in such matters as profits and productivity.

Major business support

In 1959 George Baird, who was then director of research and guidance of the affluent Shaker Heights school district in suburban Cleveland, took up his ideas for a fresh educational approach with a group of Cleveland businessmen. Three of them spearheaded establishment of the Educational Research Council: Van H. Leichter, president of The American Steel & Wire Co.; Harry F. Burmester, president of the Union Bank of Commerce; and Ralph M. Besse, president of The Cleveland Electric Illuminating Co.

From the beginning, major support for the council has come from the business community. Private contributions have brought in some \$33 million.

The board of trustees is made up predominantly of businessmen, but

they have no say in the curriculum content of the materials produced. William G. Phillips, chairman of International Multifoods Corp., of Minneapolis, currently heads the council board. He says:

"The council is raising the effectiveness of education in this country and is doing so in a cost-effective manner."

Some 22 million primary and secondary school youngsters are exposed to council-developed textbooks and other teaching material in mathematics, social science, reading, science, health and physical education, and career development. Economics materials, which cut across much of the other material, reach 18 million students from kindergarten through senior high. All of this is achieved at a cost of 18 to 20 cents per course per child annually.

"In the beginning we were accused of being a pawn of business," Dr. Baird says. "The teachers were skeptical. They were leery of business and of businessmen. Now we are finding that teachers, given the facts, will side with the free enterprise concept." • *continued on next page*

Better Management Urged for Company Contributions

As corporate giving breaks records, the question is increasingly asked: Are some businesses unknowingly contributing to their own downfall?

For example, Milton Friedman,



Self-interest should guide businesses in philanthropy, Robert Malott says.

noted economist and Nobel Prize winner, has said that "businessmen support their enemies. They support people who are undermining the basis of the free enterprise system on which their future depends."

And Irving Kristol, resident scholar at the American Enterprise Institute for Public Policy Research, has asserted that "businessmen or corporations do not have any obligation to give money to institutions whose views or attitudes they disapprove of."

Now Robert H. Malott, chairman of FMC Corp., of Chicago, a major producer of machinery and chemicals, has added his voice to those expressing skepticism about where some corporate gifts are going.

Noting that corporate support of nonprofit institutions rose from \$1.4 billion to \$2 billion between 1971 and 1976—a 45 percent increase—Mr. Malott says:

"I believe managers have a responsibility to stockholders to ensure that corporate contributions of this magnitude are motivated by rational corporate self-interest. Moreover, it is time that corporations recognize the potential impact of their philan-

thropy in creating a climate more friendly to business."

While debate continues over how to allocate corporate donations, Mr. Malott says, "We should remember that, unless a strong private enterprise system is maintained, discussion of how to distribute the system's earnings becomes moot. To ensure that future donations are possible, the survival of enterprise must be made certain."

He urges businessmen to step up giving that will help shape an economic environment which will be more supportive of private enterprise.

"The alternative—particularly in the area of education—could be increasing encroachment of government, which most of us feel would be disastrous," he warns. "It would be ironic if one of the benefits of the private enterprise system—corporate earnings—were to be used to weaken the system itself."

Mr. Malott says this can be avoided only if business is shaken out of its complacency, applies as rigorous management to giving as it does to earning, and recognizes that it inadvertently has been sustaining its enemies and crippling its friends. •

A Businessman Turns a Dream Into a Reality

On a typical day Stephen Docter is surrounded by youngsters on a 40,000-acre ranch in the middle of sunbaked Arizona.

Less than a year ago Mr. Docter was surrounded by legal documents in a big office at the Whirlpool Corp., in Benton Harbor, Mich.

At 42 he converted into reality the kind of dream many executives harbor. He quit his job as chief antitrust counsel for Whirlpool to become admissions director and athletics coach at a small private school—the Orme School, near Mayer, Ariz.

This meant giving up corporate jets, stock options, paid club memberships, and a comfortable home on the shores of Lake Michigan. It also meant the start of a challenging life-style.

Mr. Docter and his wife, Beverly, met at the Orme School in 1954 when they were college students working



Stephen Docter gave up a major corporate job for a new life-style.

as counselors during Orme's summer camp program. Mrs. Docter has joined the Orme faculty and teaches world civilization.

"We both like to work with young people, and we both love the out-of-doors—horses, the West, and physical activity," Mr. Docter says. "We

both feel that we also need a good amount of intellectual stimulus in our lives."

A graduate of Stanford, Mr. Docter served six years as a staff attorney for the General Electric Co. and headed Whirlpool's antitrust staff for ten years. In college he played football alongside former San Francisco Forty-Niner quarterback John Brodie and Paul Wiggins, the head coach of the Kansas City Chiefs.

Orme is a college preparatory school in a ranch setting. It has an enrollment of about 175 boys and girls in the eighth through twelfth grades.

Stephen Docter says he and his wife took stock of their lives and agreed they needed release from the "rather routine, stereotyped corporate life-style."

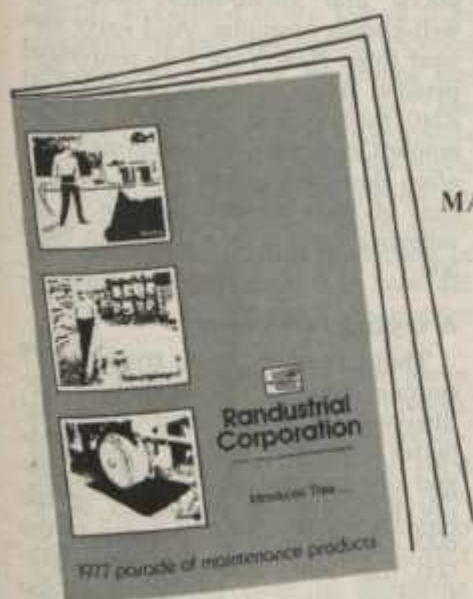
In a sense, though, he has found he has less freedom.

"At Whirlpool, I could somewhat control my activity," Mr. Docter explains. "Here, the system moves on. We eat with the kids. We live with them all the time. It's a demanding, intensified kind of life." □

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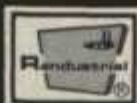
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Why Some Pension Investment Patterns Are Changing

By Saul A. Smerling

Disillusioned with attempting to do better than the stock market as a whole, more and more trustees of pension funds are adopting a so-called passive strategy

TERMED in some quarters a fad and a surrender to mediocrity, indexing of pension fund stock holdings is nevertheless growing rapidly as a serious approach to improving such funds' investment performance.

Indexing involves construction of a portfolio that matches or closely approximates some market average in its stock selection and weighting. Stocks that go into the average are bought by the fund in the proportions used in working out the average.

Three major trailblazers as sponsors of index funds—Chicago's American National Bank and Trust Co., Boston's Batterymarch Financial Management Corp., and San Francisco's Wells Fargo Bank—adopted as their model the Standard & Poor's composite index of 500 stocks, and it is the market measure most widely used for the purpose today.

An estimated \$1 billion to \$2 billion of pension fund money was dedicated to the indexing approach at the end of last year, and guesses are that the total will be as high as \$5 billion by the end of 1977. The reason is not hard to find.

According to a Becker Securities Corp. survey of some 3,000 conventionally managed funds, 86 percent underperformed the market as represented by the S&P 500 over the past ten years. Similarly, an A. S. Han-



Mr. Smerling is a vice president of Standard & Poor's Corp.

sen, Inc., survey reported that the average annual rate of return on the 500 exceeded the rates of return on 91 percent of 103 bank trust funds over the same period and bettered the returns on 87 percent of a sample of 51 insurance company equity funds.

A passive strategy

Dissatisfied with such results, leading corporations are turning to indexing—a so-called passive investment strategy. The movement is exploratory and cautious for the present, and no pension fund sponsor is known to have chosen to go the passive management route altogether.

In some cases, however, the decision has been made to dedicate a significant fraction of pension fund investments to indexing, either by placement with a cooperating outside fund manager or by proceeding on an in-house basis.

Exxon Corp., Bell telephone system subsidiaries, and General Telephone and Electronics Corp. are well-known examples. And early this year three New York City municipal pension funds sold stocks valued at \$240 million and bought a similar amount in a massive switching operation designed to put about 20 percent of their equity holdings in an indexing pattern based on the S&P 500.

A trying ten years

Thus, pension fund trustees are coming close to a confession of disillusionment with attempting to do better than the market as a whole and are reconciling themselves simply to matching the record of the 500. (Actually, if they replicate the 500, they must inevitably fall slightly short, since a real-life portfolio will incur brokerage and administration costs, of which the 500 as a theoretical portfolio has none.) In effect, these trustees are saying, "If this be mediocrity, let us make the most of it."

At first glance, it seems curious

that the combined efforts of seasoned portfolio managers and Wall Street's sophisticated analytical talent should have achieved such comparatively poor results in the past ten years, on average. However, those years have been exceptionally trying, with highly volatile markets, double-digit inflation, and record high interest rates at times.

Moreover, it would be unfair to tar the whole profession with the same brush. A good number of portfolio managers outperform the 500 each year, and some have done so consistently in recent years. As the Becker survey demonstrates, 14 percent have done the trick on balance over the latest ten-year stretch. Performance in earlier periods compared more favorably; who is to say that most conventionally managed portfolios will not surpass the 500 in the next ten years?

Still, the overall record of recent years has made a profound impression on thoughtful trustees, leading them to venture into indexing.

Lower costs

There are other reasons for such a move, as well. For one thing, both administrative and transaction costs tend to be much less. Since turnover of holdings will be low, trading costs are small once the basic market portfolio has been assembled. Additionally, the requirement of prudence deeply embedded in the law of trust investments and specifically imposed on fiduciaries by the Employee Retirement Income Security Act implies a diversification of investments that is admirably served by the index fund approach. Also, chastened by their experience in the 1970's, trustees have come to rank reduction of risk much higher than they once did in relation to potential investment return.

No single measure of the movement of the stock market is perfect. However, the S&P 500 embraces approximately 80 percent of the total market value of the 1,500-odd New York Stock Exchange-listed common stocks and is weighted by market value. It comes close to mirroring the performance of the all-inclusive NYSE list without the clutter of some 1,000 issues, most of which would be of minuscule weight.

The S&P list does not comprise merely the 500 biggest stocks; a good number represent relatively modest market value. Reflecting a key func-

tion—affording a basis for comparing the market performances of individual industry groups against each other and the performance of any stock with the average for its group—the index is constructed of 95 industry-group building blocks, from aerospace to food service.

Varying investor interest

Some of these groups characteristically embrace stocks of companies with relatively light capitalization. Machine tools and home furnishings are good examples; each accounts in the aggregate for only about five hundredths of one percent of the total market value of the 500. Yet both groups are closely followed at all times by some segments of the investment community, and either may attract considerably broader investor interest from time to time.

Obviously, a multitude of changes in the stocks in the 500 would add materially to brokerage and administrative costs of funds that are tied to this average. Except for deletions due to mergers and acquisitions, changes in the 500 have not been extensive.

Approximately 90 percent of the total market value of the 500 is concentrated in the top 250 stocks. Some index fund managers limit their holdings to these issues, on the premise that such a portfolio will track the 500—and hence the market—within an acceptable range of tolerance. This has the added virtue of almost nullifying concern over continuity, since these 250 stocks are the least likely to disappear from the S&P list. A number of other variations on use of the full S&P 500 list have also been developed.

Small but steady

The amount of pension fund money passively invested is still a very small part of the total, but the trend toward more such investment is clear. There is a steady flow of new index fund vehicles established by major banks as a service to corporate customers.

Nothing remotely approaching full-scale indexing of pension fund portfolios is expected, however. A more likely outcome is that investment managers, responding to challenge, will be spurred to sharpen their techniques, developing more imaginative approaches that will in time enable them to outperform the market in greater numbers. □

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Dress to Succeed



Double-knit suits with raised patterns are not as popular for business wear as they once were, especially if they are brightly colored. The solid tie and shirt with small stripes are highly favored.

John T. Molloy advises many business leaders about what to wear.

The kernel of his advice: Impress successful people favorably by dressing the way most of them do, and you will advance your career



Gray or pin-striped suits worn with white or solid blue cotton shirts and neatly patterned ties make a uniform that is favored by leaders in business, the professions, and politics.

WOULD YOU like to have your checks cashed quickly and without questions at places where you are not well known?

How would you like to increase the respect that people have for you at your business?

Would you like preferred treatment in restaurants, hotels, and stores?

One way to achieve such status is to dress the way most leaders in business, the professions, and society dress. This is the advice of John T. Molloy, a former New York school-teacher who learned about clothes as a haberdasher and during 16 years of behavioral testing and interviewing of thousands of business and professional people.

Mr. Molloy advises scores of large companies on how their men and women executives should dress if they want to command respect, advance their careers, and enhance company images. He also writes a syndicated newspaper column on how to dress to get ahead, and he is author of a best-selling book, "Dress for Success."

Based on his research, Mr. Molloy

concludes that the men and women who run America—the business, professional, political, and social leaders—dress for the most part very much alike and have been doing so for decades.

"Fads are for fools"

"The word for the clothes that they wear," Mr. Molloy says, "is conservative."

What does he mean by conservative clothes? "Generally speaking, if leaders want to increase respect among their peers and get ahead faster, they can help themselves by wearing dark, solid-color, or subdued-pattern suits, dresses, and neckties; solid socks and shoes; and white or pale blue shirts and blouses. These preferences change slowly. Fads are for fools. I tell my clients not to be in a hurry to try anything new."

Mr. Molloy asserts that people in business follow a pattern in dressing because "they recognize the social and economic value of clothing. They know that clothing is a signature of rank that tells others if you are upper middle class, an executive, and important, or if you are lower middle

class, a loser, and unimportant. If businessmen wear conservative clothing, other people are more likely to consider them hardworking, honest, and better educated. People enjoy being with successful people, and that is what they think businessmen who dress conservatively are.

"On the other hand, unusual colors and patterns cut into creditability. People do not know whether to trust and believe a person wearing them."

Mr. Molloy says he has learned in his years of research, interviewing, and study that secretaries work harder, take less time off, spend less time at the water fountain, and are more prompt if the men and women they work for wear dark suits and dresses with a conservative cut.

He acknowledges that what he says often draws dissent and that some business leaders follow their own informal tastes in clothes.

Commands attention

His advice is golden to other business leaders, however. During an appearance before a business group in Kansas City, he criticized loud neckties. Some men who were wearing



Incorrect



Correct

loud ties rushed back to their hotel rooms and changed to conservative ties for the luncheon that followed.

If anyone doubts Mr. Molloy's contention that leaders—with exceptions dictated by geography, weather, and certain occupations—dress much alike, he advises:

"Stand outside the doors of such establishments as the Racquet, Links, Princeton, and Yale clubs in Manhattan, the Metropolitan and Cosmos clubs in Washington, the Algonquin in Boston, the Piedmont Driving and Capital City clubs in Atlanta, the Duquesne Club in Pittsburgh, the Union Club in Chicago, and the Bohemian Club in San Francisco. Or walk up and down Wall Street. Or stand outside Grand Central Station in New York and watch the people who have just arrived from the expensive commuter towns in Connecticut and Westchester.

"You will see what I mean."

Imitating each other

The prevailing dress, he says, is conservative. "Leaders imitate each other by wearing conservative clothing," he adds. "Potential leaders want to look like the successful people they envy."

Mr. Molloy illustrates his appearances before company and other groups with color pictures and slides that show what should and should not be worn. He comments on the

significance of particular items worn by most successful businessmen:

- Suits are solid blue or gray, pin-stripe or chalk stripe, or modest gray plaid. Wool and polyester that looks like wool are preferred. The darker the suit, the more authority it transmits. However, black is funereal. Brown suits are worn sometimes, but

they rarely emit a sense of trustworthiness. Single-breasted suits are the top choice; vests are optional.

- Shirts and ties are focal points. Generally, shirts are white or pale blue, or they have modest stripes. The smaller and darker the stripes, the more they signal respectability. Shirts are lighter in color than suits, and, if striped, the background is white. Button-down collars are worn less now than they were ten years ago, and collars with stays are worn more often. Successful people shun two-pocket shirts. Cotton is the favorite material. Leaders prefer solid or modestly patterned ties that are darker than shirts. Favorite neckware are club ties, foulards, regular-patterned ties, regimental stripes, and modest paisleys that match up with suits. Patterned ties have dark backgrounds with lighter figures.

- Shoes with laces predominate, although loafers without gaudy buckles are worn occasionally. Both shoes and socks are dark and solid. Socks reach the knee or calf.

- Overcoats are usually tan camel's hair or, when made of other materials, dark blue or gray. Coats often have a neat, regular weave, such as herringbone.

- Little jewelry is worn, usually only wedding rings, modest cuff links, and occasionally a tie clasp. Belt buckles are small and not shiny.

Some Colorful Views About Colorful Clothes

A conversation with John Molloy, who is often called a wardrobe engineer, can be sprinkled with strong opinions about how to dress for success.

For your own consideration, here are a number of his more pungent thoughts:

"Among both men and women, bright colors are for the Mafia."

"Never buy a suit with a jacket that would look good as a sports coat. If you have a suit like that, burn the pants."

"If you have a bright plaid suit, give it to a horse."

"One man in a loud suit will not take seriously another man who wears one."

"Never wear a shirt that looks like a rug. If you do, people will walk on you. Never wear a shirt that looks like a pajama top."

"Wear a bow tie, and no one will take you seriously."

"People who bounce checks never wear green when they go check-bouncing. They know it is a color that arouses distrust."

"Deep red is a sexual turn-on color. Women should not wear red to work."

"A hat is a power symbol for a businesswoman."

"Women should not wear prints that have the 'little girl' look."

"Women in peasant dresses are usually treated like peasants."

• Raincoats tend to be beige. Black raincoats give the impression the wearer cannot afford to keep a beige coat clean. The better haberdasheries have been found to sell four beige raincoats for every black one, while inexpensive shops sell four times as many black raincoats.

Mr. Molloy claims that taboos for men who want to command favorable attention include: wide-lapel suits, skintight clothing, flashy cuff links, anything silk except ties, anything shiny except shoes, light-colored socks, and sports jackets at the office.

What women wear

As for females in business, Mr. Molloy says eight out of ten dress in ways that hurt their chances of succeeding.

"On the other hand," he adds, "I find that women who are highly influential usually select much the same colors and patterns chosen by men who succeed. Conservative clothing helps businesswomen to be taken more seriously by their male co-workers."

Among successful women in business, prevailing colors are the same as those for men—blue and gray for suits, coats, and skirts; white or pale blue for blouses. Pants suits are increasingly popular if they are of modest colors and conservatively cut. Subdued plaid skirts of modest length are acceptable.

Beige is a better color for women than for men. So are somewhat lighter hues of blue and gray. Materials for women are nearly the same as those for men—pure cottons and woolsens for suits, dresses, and skirts, or combinations of the two with fine polyester. Women wear more silk and nylon than men.

Poor choices by wives

Mr. Molloy has strong feelings against a wife's selecting her husband's clothes. "Don't let her do it," he says. "Most women will pick items that successful businessmen do not wear. Women too often select for their menfolk pastel and figured shirts, fawn-colored suits, garish neckties, shiny materials, shoes with sparkling buckles—that sort of thing."

Mr. Molloy is accused sometimes of being stodgy. Often his male critics wear loud ties and leisure suits, and his female critics wear tight-fitting pants suits. He holds his ground and quotes from statistics



Incorrect

gathered in surveys and interviews conducted by himself and his six assistants.

Regional differences

There are exceptions to his findings, he says. For example:

Southern California, southern Florida, and some other parts of the sunbelt are lands unto themselves where customs are more relaxed than elsewhere. In men's clothing, colors clash, widely striped shirts are worn with loud checked suits, and ties—when they are worn—may display dancing girls. Leisure suits are often worn to work.

Mr. Molloy calls these "banana clothes."

Women often wear short dresses,



Correct

or blouses and skirts of vivid colors and uneven patterns. Pants suits are tightly fitted. Shorts are sometimes worn to work.

Something of the same situation exists among leaders in sports fields. Men often skip neckties and jackets and wear short sleeves the year round.

Where conservatism reigns

Geographically speaking, the highest percentages of conservatively dressed businessmen are found in Boston, and indeed in all of New England; the Washington, D. C., area; and parts of New York City.

By occupation, the highest percentages of sedate dressers are in banking, the brokerage business, the



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executive offices of nearly all kinds of large corporations, the upper reaches of politics, and the top management of the entertainment world, including television.

"The actors may dress wildly, but the television and radio executives do not, and they are the ones running the show," Mr. Molloy says. "The higher they rise, the more conservatively they dress. This is true not only of show business, but of most other areas of endeavor as well."

He supports this contention by adding, "When our former President, Mr. Ford, first reached the White House, he went in for bold plaid suits, figured shirts, and ties with large swirls. Three months later he suddenly began wearing dark, pin-striped and chalk-striped suits, white shirts, and small-patterned ties."

When you plan a trip

When a business person plans a trip into a geographic area other than his own, Mr. Molloy advises, nuances should be noted by the traveler.

A Bostonian going to Texas should not wear a broad-brimmed hat, Mr. Molloy cautions, even though such hats are favored in Texas. Many Texans feel large hats and string ties are for Westerners, and the Bostonian would look out of character by wearing them. A Texan going to Boston should leave his broad-brimmed hat at home because he would be conspicuous wearing it in Boston.

Southern leaders often consider modest polka-dot ties to be their very own, and they don't cotton to non-Southerners wearing polka dots. Plaid ties are taboo in the Northwest, although no one appears to know why.

Brown suits are particularly objectionable in New Hampshire, where they are called "poppinjay clothes." Mr. Molloy says brown conveys the message there that the wearer is on vacation rather than at work. Brown is acceptable, however, in Chicago's best business districts.

No clip-ons

Another word of caution: If you are going to Britain, do not wear regimental stripe or club ties because you might sit down across a desk from a genuine former member of the Tenth Royal Hussars or an old Cantabrigian.

"Anywhere you find a leader, you won't find clip-on, ready-tied neckwear," Mr. Molloy says. "Anybody can learn to tie a necktie. Why use the other kind?"

He advises against buying cheap clothes. Buying the best quality is economical. Good clothes wear longer, take cleaning better, and, if they are conservative, stay in the style that leaders prefer.

"Few people can afford tailored suits because of high cost," he told NATION'S BUSINESS, "and that is a pity because no suit fits like one built for you."

Personal questionnaire

Before offering advice to executives on how to dress, Mr. Molloy asks each to answer a 75-to-100-item questionnaire which seeks information on the person's measurements, opinions, mannerisms, hobbies, duties, associates, personality, and ambitions. After the questionnaire is completed, the information goes into a computer and is used in figuring out the best way for that person to dress. Mr. Molloy or one of his assistants then holds a one-on-one interview to brief him or her in detail.

Many of the questions are interlocking. Suggestions for dress may depend on the answers to a dozen of the questions. For example, if a respondent writes that he is of average height, Mr. Molloy will also have to know if he is portly, if he is round of face, if he has a particularly large head, and what his complexion is. In addition, Mr. Molloy will want to know what his business is and what types of people are encountered in the business.

Dress to impress

The answers to these and possibly other questions, Mr. Molloy feels, supply him with enough information to give good advice on what to wear and not to wear.

Mr. Molloy says that it pays not to dress to please yourself. "You should dress to impress," he explains. "If you dress for success, you thereby increase your authority."

When in doubt, he emphasizes, select conservative clothing. That is the kind most likely to be worn by the person whom you are trying to sell, talk into a salary increase, or otherwise influence. Wearing conservative clothes may not make you feel better, but the impression those clothes give others certainly will. □

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Why Congress Should Listen to the Folks at Home

CONGRESS is officially in recess for the month beginning Aug. 6, but the period could be one of the most productive of the legislative year.

The summer hiatus provides an excellent opportunity for a mutually beneficial dialogue between members of Congress and their constituents.

If senators and representatives listen carefully, while home over the recess, they can gain valuable insights into voter thinking, not only on specific legislative issues, but on important trends in national life.

For voters are saying they are growing increasingly disenchanted with the idea that every problem in every area can be solved with more laws, more regulation, more spending.

Individual citizens realize, more so than many government officials, that the nation is ill-suited for embarking on new social ventures while so many existing problems are functioning poorly, if at all.

The legislative agenda overflows with such major challenges as drafting an effective energy policy, establishing an equitable tax policy, shoring up the Social Security system's finances, stimulating the economy while holding down inflation, and achieving

the welfare reform that has eluded previous Congresses.

Members of Congress can learn, by listening to their constituents during the recess period, that the public's chief concern is for undertaking effective action to meet those challenges, not for adding overly ambitious new goals.

Similarly, senators and representatives can perform a vital service by sharing their own perspectives with the voters.

Members of Congress can, for example, emphasize to a sometimes skeptical public that the nation really does face a serious energy crisis and that strong measures are needed to prevent energy shortages which could lead to economic disaster.

The public also should be alerted to the necessity for tax policies that spur job-creating investments and for environmental laws that recognize economic realities.

If the legislators and the people they represent conduct such a substantive dialogue this month, Congress will come back in September far better equipped to deal with the crucial issues still awaiting action. □

Our Most Important Moving Part.

Human Engineering, and why we think it's so important.

Whenever we design a Hyster truck, we always keep one key fact in mind: a lift truck can't be productive all by itself.

No matter how fast the lift speed, or how efficient the components are, a lift truck isn't really productive unless it performs well in the hands of a real live person.

And so, for more than 35 years, Hyster has been designing lift trucks around the people who drive them.

The doctor who helped JFK's back helped design seats for Hyster.

For more than a generation, Hyster has been working with Henry Dreyfuss Associates, the prominent industrial design firm, to help refine the concept of building lift trucks for people.

The Dreyfuss organization is well known for designing telephones and airplane interiors, among other things, to fit the human form.



Over the years, they've made countless contributions to the driveability of Hyster trucks.

One interesting example: Remember the problems President Kennedy had with his bad back? To help correct those problems, he



worked with one of the world's best orthopedic specialists.

That same specialist was retained by Dreyfuss Associates to help design seats for Hyster lift trucks.

Obviously, Hyster pays more than casual attention to the job of keeping your driver comfortable, alert, and productive.

Everything your driver touches is designed to save him time.

A Hyster truck's steering wheel, for example, needs fewer turns than most. Yet the wheel has enough turns to give the driver the positive control he needs.

Everywhere, controls have been simplified; wasted motion has been eliminated.

Hyster is the only lift truck maker to offer your driver a single pedal, called Monotrol, to control the 3 basic motion functions: forward, reverse and acceleration.

For lifting and lowering, Hyster uses hydraulic controls that give your driver a rare combination of speed and precision.

And we pay a lot of attention to the placement of controls.

In developing a new series, we build full-size mockups, and then we invite people of all different shapes and sizes to try them out.

Every opinion is noted, and every control is adjusted until we get a design that feels right for at least 90% of the population.

Does it really make a difference?

Any lift truck that's the right capacity might get the job done.

Eventually.

But most drivers get more done in less time on a Hyster truck than on anything comparable.

No matter how good a lift truck may look on the spec sheet, you never really know what it can do until somebody gets behind the wheel and puts it to work.

That's when your investment in a Hyster truck starts paying off.

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